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MANAGEMENT OF DEPARTMENT OF THE INTERIOR PROGRAMS

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Management of Department of the Int...

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

RECENT RECOMMENDATIONS BY THE GENERAL ACCOUNTING OFFICE AND THE INTERIOR DEPARTMENT'S OFFICE OF INSPECTOR GENERAL TO IMPROVE MANAGEMENT OF THE DEPARTMENT OF THE INTERIOR'S PROGRAMS

HEARING HELD IN WASHINGTON, DC
FEBRUARY 2, 1993

Serial No. 103-2

Printed for the use of the Committee on Natural Resources

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RECENT RECOMMENDATIONS BY THE GENERAL ACCOUNTING OFFICE AND THE INTERIOR DEPARTMENT'S OFFICE OF INSPECTOR GENERAL TO IMPROVE MANAGEMENT OF THE DEPARTMENT OF THE INTERIOR'S PROGRAMS

TUESDAY, FEBRUARY 2, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
COMMITTEE ON NATURAL RESOURCES,
Washington, DC.

The Subcommittee met at 9:45 a.m., pursuant to notice, in room 1324 Longworth House Office Building, Hon. George Miller (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MILLER

The CHAIRMAN. The Subcommittee on Oversight and Investigations will come to order for the purposes of conducting a hearing and giving air to the recent recommendations by the General Accounting Office and the Interior Department's Office of Inspector General to improve the management of Interior programs, and also to hear from our colleague, Representative Mike Synar from the State of Oklahoma, who chairs the Subcommittee on Governmental Operations within which he has oversight jurisdiction over the Department of Interior.

Our hearing today concerns the future of America's environmental heritage and the management of our public resources. The question before us is two-fold. How will the Congress and the Administration fulfill its responsibility to manage the public resources of this nation and what will we leave for the use and enjoyment of our children and their future.

Reports of the General Accounting Office, the Inspector General of the Department of Interior and the testimony of our colleague, Mike Synar, vividly describe how years of mismanagement and bad policy have jeopardized the future of our resources.

But they also raise a more frightening specter for the people of this country: they start to develop a pattern not only of mismanagement of the resources, but also mismanagement of the people's treasury. They raise questions with respect to favoritism and to decisions made on behalf of very strong claimants with weak claims that have resulted in a drain on the Federal Treasury and have also resulted in management of these resources to the detriment of the people of this nation.

They also raise the questions of sustainability and of our ability to continue to be able to use Federal lands, the lands that belong to the people of this country, in a manner in which the land will be sustained for the use and enjoyment of the American public, for those industries that rely on them and for the people that rely on jobs within those industries.

What is becoming very clear is an evolving picture where, because of decisions made in the past, we are in the position now of having a number of industries that are the verge of collapse and present a threat to the economies of many areas within the Western States.

I want to begin by saying that this is a rather interesting confluence of these three reports, or rather two reports and the work of Representative Synar's Committee coming together at this time to give us an opportunity to review past practices and to raise questions about future practices with the new Administration both within the White House and within the Department of Interior.

I look forward to the statements and to the presentations to be made to this Committee and will ask unanimous consent that the rest of my opening statement be placed in the record, and recognize Mr. Hansen.

[Prepared statement of Chairman Miller follows:]

PREPARED STATEMENT OF HON. GEORGE MILLER

Today's hearing concerns the future of America's environmental heritage and our public resources. The question before us is two-fold: How will Congress and the Administration fulfill its responsibility to manage the public resources of this nation. And second, what will we leave for the use and enjoyment of our children and their future.

The reports of the Government Accounting Office, the Inspector General of the Department of the Interior, and the testimony of our colleague, Rep. Mike Synar, vividly describe how years of mismanagement and bad policy have jeopardized the future of our resources. Some of the damage comes from deliberate political and financial favoritism. In other cases, ignorance of and refusal to heed scientific findings are to blame. Those of us who have had to work with the past Administrations also saw an extraordinary unwillingness to administer the laws fairly and with commitment to their intent. The reports make clear that unless we act decisively and quickly, our children will be deprived of much of what makes us love our country.

Critics of the federal government's management of its natural resources often complain that resources are not managed like a business. However, this criticism is only partly true. Certainly, failure to recover costs on the sale of timber from the national forests, or grazing fees from the public lands is inexcusable. No business would give away mineral rights almost free as we have for 120 years.

In too many other respects, however, government *has* managed the resources like a business; the savings and loan business. The resources under the jurisdiction of the Interior Department and the U.S. Forest Service are national assets. The government is the trustee charged managing these resources on behalf of the public. As our witnesses will testify today, in this regard the record of the past 12 years of Republican rule has been an unqualified disaster.

Public resources have too long been treated as the exclusive property of a select group that has short-sightedly mined, irrigated, cut, and drained the land.

We stand at the crossroads of a new era in meeting our stewardship responsibility. Today's testimony presents a major challenge. We must reverse course in our approach to natural resources, or we will continue depleting our resources faster than they can regenerate, causing pollution that we cannot afford to clean up, and costing jobs in industries that depend on a sustainable natural resource base.

The first step in redirecting our natural resources policy is to recognize that these resources are precious and irreplaceable capital. Once the Colorado River basin in the Grant Canyon is destroyed, it cannot be replaced. The Everglades cannot be remade if we allow them to disappear.

Testimony today also will address the wretched management of programs that affect Native Americans. Indian lands have become waste lands; the condition of Native Americans' health and education is among the worst of any population in this country. The Bureau of Indian Affairs has been at best an embarrassment.

Regarding the management of the insular areas, the IG's testimony reveals that hundreds of millions of dollars have been wasted due to questionable expenditures by the insular governments and failure to collect taxes. The IG has issued hundreds of recommendations to the insular governments, and the insular governments in many cases have ignored the recommendations.

At the same time as the Congress and the Federal government encourage self government in the insular areas, the Congress and Federal government also need to protect the taxpayer's investment. Open ended appropriations with no checks or oversight on how the money is used cannot be tolerated.

The management failure of the past is painfully clear. The challenge is to return to our critical role as steward and arbiter for the people on behalf of their resources.

I welcome our witnesses and look forward to their testimony.

Mr. HANSEN. I thank you, Mr. Chairman. I don't have any opening remarks at this particular time. I appreciate being recognized, and recognize Mr. Synar here, and look forward to his testimony and hearing about the results of this report.

Thank you very much.

The CHAIRMAN. Any other opening remarks by anybody?

Mr. Thomas.

Mr. THOMAS. Mr. Chairman, I'm not a Member of your Subcommittee. So I appreciate the opportunity to sit in.

The CHAIRMAN. Mr. Smith, do you have any opening remarks?

Mr. SMITH. Not at this time.

The CHAIRMAN. Mr. Hansen.

Mr. HANSEN. I would just again say I appreciate the opportunity to sit in.

One observation as I looked through this material, and they talk of course properly about the management of resources and the minerals and the timber and all those things which we ought to be doing.

I hope also as we go about this thing in these studies and in our comments we take a little bit of thought to the economy of the communities that surround these areas. When 50 percent of your state or 80 percent of your state is in Federal ownership, there is a bearing on the lives of the people who live there.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Smith.

OPENING STATEMENT OF HON. BOB SMITH, A U.S. REPRESENTATIVE FROM THE STATE OF OREGON

Mr. SMITH. Thank you, Mr. Chairman.

I thank you for holding this oversight discussion today about the GAO report. I am interested again to hear a rehash of the GAO report and the Interior Inspector General on how we can better manage our natural resources.

I'm a little dubious I must say about accepting the GAO transition document as a blueprint or future for managing our public lands. I've been concerned for quite a while that the GAO has lost some of its credibility, particularly on the grazing issue.

Last year we learned that the GAO had put out 17 grazing reports in three years without the benefit of a range scientist on their staff.

In addition, Resource Concepts, a very respected Nevada based consulting firm, found enough serious flaws last year in the GAO grazing report that it reduced GAO's credibility to "a supermarket tabloid."

Well I'm as interested as anyone here in trying to manage our natural resources and to provide a fair return for the government, but we are not going to balance our budget by pricing cattle off the public range, or we're not going to balance our budget by gutting the Federal timber sale program in America.

By the way the Federal timber program last year generated $472 million in profit for the general Treasury of the United States and provided 125,000 jobs. I suggest that only the IRS does as well as that.

Now if the GAO is so concerned about the shortfalls in our National Park System, I suggest that they recommend to the Natural Resources Committee to stop questionable park expansions that we report out every week and try to take care of the existing parks that we have in this country.

A total of $2.3 billion in park and public expenditures were contained in measures passed by this Committee last year in the 102nd Congress. Obviously most of those did not come to fruition. But we're never going to get a handle on our existing park system until we stop creating new ones and take care of the ones we have already created.

I thank you, Mr. Chairman, and look forward to this hearing.

[The prepared statement of Representative Smith follows:]

STATEMENT OF CONGRESSMAN ROBERT F. (BOB) SMITH

Mr. Chairman, I want to thank you for holding this hearing today. As the new Ranking Republican on this Subcommittee, I look forward to working with you on a wide range of natural resource issues.

While I'm interested to hear from the GAO and the Interior Inspector General on how we can better manage our natural resources, I am a little dubious about accepting the GAO transition document as a blueprint for managing our public lands.

I have been concerned for quite awhile that the GAO has lost some credibility, particularly on the grazing issue. Last year we learned that the GAO had put out 17 grazing reports in three years without the benefit of a range scientist on their staff. In addition, Resource Concepts, a respected Nevada-based consulting firm found enough serious flaws with GAO's grazing reports that it reduced GAO's credibility to that of a supermarket tabloid.

Don't get me wrong. I'm as interested in getting a fair return for our natural resources as anyone else. But we won't balance our budget by pricing cattle off our public lands, or by gutting our federal timber sale program. By the way, the federal timber program generated a $472 million profit in 1991 and supported 125,000 jobs. Only the IRS does as well as that.

And if the GAO is so concerned about shortfalls in our Natural Park System, I suggest that they recommend to the Natural Resources Committee to stop the questionable park expansion bills that we report out every week.

A total of $2.3 billion in park and public expenditures were contained in measures passed by this committee in the 102nd Congress. That's simply irresponsible. We will never get a handle on our existing parks if we keep creating new ones.

Mr. Chairman, again I look forward to working with you this session, and I look forward to the testimony of the witnesses before us today.

Thank you.

The CHAIRMAN. Ms. English, any opening statement?

Ms. ENGLISH. I have no opening comments. I do thank you for holding this hearing and I look forward to the testimony.

The CHAIRMAN. Mike, welcome to the hearing, and we look forward to your testimony and you may proceed in the manner in which you're most comfortable.

STATEMENT OF HON. MIKE SYNAR, A U.S. REPRESENTATIVE FROM THE STATE OF OKLAHOMA

Mr. SYNAR. Thank you, George, and I thank all of my colleagues. It's good to be back and up and running again.

I guess the title of my brief remarks today should be: running government like a business, which should be music to both my Republican colleagues' ears as well as those who believe that moderates and Democrats have not tried to run government in the past like that.

Let's rehash this, as Bob said, one more time so that everybody knows where we're going. We are literally losing billions of dollars each year because we fail to sell, lease, rent, transfer and exchange taxpayers' assets as a prudent seller. That's the theme and that's the bottom line.

Until we come to grips with that, we're going to continue to be criticized by the public rightfully that we are not running this government like a business nor are we taking the type of responsible action that will protect the assets of our children and grand children.

Today you and I, George, are going to introduce the Firesale Disclosure Act again which is going to mandate a very simple but important change in the President's annual budget submission to Congress.

The bill is going to require a separate section of each year's budget with a statement of revenues to be obtained from the sale, lease or transfer of publicly owned assets and an accompanying statement of the fair market value of those assets so that we can know and make better decisions here in Congress with respect to the management of our natural resources.

Now what is at stake? Well with due respect to Mr. Smith and his criticism of GAO, I think they have done an excellent job over the years that has been backed up by OMB reports, CBO reports and a variety of other private sources that show that we are literally losing billions of dollars by mismanagement, and let me just tick them off one more time.

Because of below-cost timber sales from national forests, $750 million.

Under-collection of oil and gas royalties, $800 million.

Subsidized grazing fees on Federal lands, $150 million a year.

Below-cost uranium enrichment, $1 billion to $2 billion.

Below-cost concession contracts at recreation areas, $300 million.

Land exchanges, no-rent leases and transfers, $2 billion to $5 billion lost because of our mismanagement.

Below-cost hard rock minerals, $2 billion to $4 billion lost.

There is literally no requirement presently that we have this vital information and to compile it and also to provide it to Congress so that Congress can make good decisions. Running this Federal Government under sound business practices has got to be the

goal of every Member of Congress regardless of philosophy or party.

So today's introduction of this bill, which is not just a rehash, but a re-emphasis of the things we should have done long ago is an important last step as we begin to have the type of natural resource management which is long overdue.

Thank you, Mr. Chairman.

[The prepared statement of Representative Synar follows:]

MIKE SYNAR
2d District Oklahoma

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Committee on Natural Resources

REPRESENTATIVE MIKE SYNAR
February 2, 1993

Mr. Chairman, thank you for the opportunity to be here today to address longstanding management deficiencies at the Department of the Interior. My statement will focus on significant corrective actions needed to assure that the Department of the Interior exercises proper control and accountability for each of its agencies or bureaus and takes responsibility to overcome the cumulative effects of years of poor programmatic and financial management systems and practices.

The good news is that most needed changes can be implemented administratively. In fact, many corrective actions have already been described by the Office of Inspector General and the U.S. General Accounting Office. However, Mr. Chairman, one central theme in improving the performance of the Department of the Interior, aside from certain changes in policy direction, has yet to be fully addressed. Congress needs to press this Administration, as we have done with previous Administrations, to improve its financial management and accountability. To do so, the new Secretary and his management team must develop and implement a comprehensive strategic management reform package to:

- fix organizational and structural weaknesses that thwart the Department's effectiveness and mission; develop and implement a comprehensive organization, staffing and training plan that will ensure that it has a cadre of qualified and trained accounting professionals with the capacity to carry out the broad authorities envisioned by the Chief Financial Officers Act;

- adopt and enforce strict priorities for financial and management improvements;

- adopt and adhere to planning and implementation milestones;

- support the Department's 5-year financial management plan required by the Chief Financial Officers Act.

The Department must also prepare a financial management systems plan as a basis for implementing modern, integrated accounting, budget, and financial systems; it must

implement strong material internal controls; it must prepare and have audited financial statements, which can pass the test of relevance, usefulness and accountability as required by the Chief Financial Officers Act; it must prepare financial information on costs and performance measurements, which tie into financial reports, as well as program operations; and, it must be in accord with the requirements of the CFO Act, including the responsibility to prepare annual reports required by the Chief Financial Officers Act that present the results of the Department's financial operations. In doing so, the new administration has an opportunity to deliver more effective governance of publicly-owned assets at a lower cost. In fact, reorganizing the Department of the Interior presents an unsurpassed opportunity to improve the management of more than 500 million acres of publicly-owned lands and to preserve our natural resource for generations to come.

In virtually every aspect of its responsibility, Mr. Chairman, there is overwhelming evidence of the Department of the Interior's failure to manage the Nation's publicly-owned resources with even a minimal level of prudent "business sense". This failure to operate more like a business costs the taxpayers hundreds of millions of dollars in losses to the Treasury each year. It also results in unearned, competitive advantages being given to a few who profit from the exclusive use of publicly-owned lands. The failure to effectively manage taxpayer assets has resulted in damage to many public resources. In many cases, damage can be traced directly to inattention by the Department; in other cases, the Department is aware of needed corrective actions, but user fees charged by the Department are not adequate to cover even administration of a program, much less to cover the costs of corrective actions.

Stated simply, the Department has been unaccountable to Congress or the taxpayers for much of the past decade. In all, it suffers from an array of problems that are "cultural" in nature. Despite changing national needs, the Department of the Interior operates under the same "culture" of exploitation and free use as it did 100 years ago. This "culture" is so firmly entrenched within the Department -- both at headquarters and throughout its regional, state and local office network -- that reform is difficult, if not impossible, even when senior management attempts to implement meaningful change.

Major management problems include a serious lack of financial accountability and land and property mismanagement throughout the Department in addition to a general unwillingness and inability to reprioritize the work to make it consistent with current policy goals. As a result, millions of acres of land have been harmed, related health and environmental problems are staggering, and the taxpayer is out billions of dollars.

Managing change at the Department of the Interior will take a long-term commitment to the details of managing a vast network of offices and functions. It will not be enough to simply adopt or co-opt the existing management initiatives, such "Total Quality Management." These undertakings are without value or standards for improving the economy or effectiveness of the Department's vast mandate. Instead, by and large, current efforts are not directed at resource conservation or even-handed administration; they are

instead little more than sloganeering to cover the determined, longstanding objectives to exploit public assets for private gain.

The following is a brief description of longstanding management problems at the Department of the Interior:

Inadequate financial accounting and management: Inadequate financial management and accounting deficiencies are a problem in almost all of the areas we oversee, and are a root cause of the department permitting programs and operations to continue which, cumulatively, loose the taxpayers hundreds of millions of dollars each year. As noted below, one particular problem in this respect is the decentralized nature of the Department which resulted in each of its 13 bureaus relying on their own accounting systems, without department-wide integration. Other financial management problems exist as well, however. Scores of reports by the department's Inspector General, as well as reports by GAO, outside audit companies, and numerous investigations by my Subcommittee, this Committee and others, all document pervasive departmental deficiencies in this respect. Until such time as the department successfully addresses its wide ranging problems in this regard, the Department will not be able to efficiently or effectively manage its vast resource holdings, and the taxpayers will lose untold sums of money.

Inadequate data collection: In almost all areas, weaknesses in data collection played a key role in undermining effective management of the programs. As a result of these longstanding weaknesses, the Department does not have an accurate database of information concerning department resources, contracts and concessioners, revenues, fees and royalties paid, wildlife and non-wildlife uses of refuges, and other essential management information. Without an adequate and accurate base of information, the department can not properly manage the wide array of public resources within its domain.

Decentralization: The Department of the Interior is a heavily "decentralized" cabinet department, with 13 different bureaus -- most of which have numerous regional, state and local offices spread throughout the country. Contributing to the two problems noted above, each bureau historically has depended upon its own accounting system and, to a great extent, on individual data collection efforts. Moreover, while policy is supposed to be established by headquarters and implemented by individual bureau offices around the country, in reality resource policy and management decisions are too often left to the discretion of regional, state or local offices. As one example only, this has resulted in DOI headquarters having no centralized base of information on contractors and concessioners and there is a lack of uniformity in the imposition of contract and concession terms and conditions. As another example, individual offices are given wide discretion in negotiating and recommending intrastate land exchanges. (While the Department's historically decentralized management style results in the kinds of problems noted above, it also should be noted that headquarters also frequently ignores the recommendations of its professional resource management personnel at the regional, state or local level when those recommendations are not "convenient".)

Failure to manage publicly-owned resources as a prudent business would: As I noted, the Department does not accurately inventory its resources; does not implement accurate, reliable or functional accounting programs; and does not show even a minimal desire to execute sound or equitable business arrangements involving the exclusive use of public lands or facilities by private commercial interests. In virtually every area we have examined, we see evidence of the Department's failure to manage the nation's publicly-owned resources with even a minimal level of prudent "business sense". This lack of business sense results in hundreds of millions of dollars in losses to the Treasury and the taxpayer. It also results in competitive advantages being given to a few who are privileged to obtain permits to use or operate on publicly-owned lands. Finally, overuse by private parties has resulted in damage to many public resources; in some cases, damage will continue as a result of inattention by the Department; in other cases, the Department is aware of needed corrective actions, but use fees charged by the Department are not adequate to cover even administration of a program, much less cover the costs of corrective actions.

Here is a summary of some of the reasons why I believe these longstanding management problem persist:

Bureaucratic culture: The Department suffers from an array of problems one might term "cultural" in nature. In short, the department is still living under the same "culture" as it did 50 years ago, despite the fact that conditions have changed markedly.

As one example, when our National Park System was first established, a key departmental mission was to encourage tourism at these new recreational areas -- primarily located in the unpopulated and untravelled West. As a result, most early concession agreements granted concessioners the exclusive right to operate on public lands -- frequently utilizing government-owned facilities -- at little or no cost in order to attract Americans to these new recreational opportunities. Despite the passage of many decades, however, and with public visitation so high as to actually threaten the resource value of many parks and recreation areas, the department still executes concession agreements as if circumstances, and its mission, had not changed.

As another example, many decades ago, the Bureau of Land Management's "mission" was to help open up the West to settlement and economic development; toward this end, the department would impose low fees for the use of most of its publicly-owned resources, such as BLM lands, to encourage ranching, agricultural development, and other consumptive uses. Today, many publicly-owned resources in the West are threatened by overuse, not underuse. Moreover, the low fees charged by various Interior bureaus results in substantial losses to the taxpayers; and for the few who are privileged to obtain permits to use these federal lands comes a competitive edge against those who must pay higher fees for similar privileges in the private marketplace, or for state lands.

This "culture" is so firmly entrenched within the Department that reform is difficult. As an example, former Secretary Lujan's concessions reform program did not fully succeed

because of serious resistance from within the Park Service itself, not just from park concessioners. Concession reforms announced by the Secretary more than two years ago have not been fully achieved, even though many could have been implemented administratively.

Political opposition: Just as the Department itself suffers from an unwillingness or inability to change its "culture" and "mission", so too many in Congress resist any change in Interior's programs and mission. These political obstacles are often acute, such as when legislative (or even administrative) attempts have been made to increase fees paid by concessioners' or grazing fees paid by Western cattle ranchers, or the Fish and Wildlife Service attempts to halt destructive incompatible uses of wildlife refuges, such as off-road recreational vehicle use and using refuges for military bombing practice.

Resource constraints: All federal land management agencies are poorly organized with staffing and resource allocations that are wildly inconsistent with the organization's mission requirements. For example, the Inspector General of the Department of the Interior (OIG) recently found that the Bureau of Land Management's (BLM) personnel resources at state and district offices were often devoted to administrative support and duplicative program oversight rather than to operational functions such as protecting public lands. OIG estimated that staffing resources costing as much as $41 million could be converted from administrative support and program oversight purposes and used for program implementation by converting the 10 three-level state office organizations into two-level organizations similar to those in many other states. OIG also found that the BLM's financial system lacked any integrity in accounting for administrative support versus program costs. For example, OIG found that as much as $94 million was improperly charged to direct program expenditures by BLM. OIG estimated, however, that BLM spent $188 million on administrative support in 1990, exceeding its appropriation by 100 percent. Improving organizations and staffing is an immediate priority.

Mr. Chairman, we are living in the midst of a federal deficit crisis. Indeed, we have reached a time for hard choices. In short, we no longer have the "luxury" of tolerating these wasteful practices and longstanding management deficiencies at the Department of the Interior. It is time to start running the federal government under sound business practices.

It is no longer enough for Congress to simply debate whether revenues are being lost by below market pricing of natural resources and whether the Department of the Interior has corrected longstanding financial management problems. It is time for Congress to assert itself and begin to reduce and eliminate unwarranted subsidies. It is time Congress demanded greater accountability from the Department of the Interior.

Today's hearing should help lead the way. Thank you for allowing me to join you.

The CHAIRMAN. Thank you.

Let me ask you a couple of questions, if I might, and thank you for your testimony.

We continue to struggle, as both the GAO reports and the IG reports show, with the idea of what the real loss of revenues exactly are. I should have prefaced that by saying clearly some of these are as a result of policy determinations that have been made by past Congresses and past Administrations. Not all of this is accidental. It's intentional that these programs in fact do not recoup their costs.

Decisions are made about the welfare of various areas or industries or what-have-you in the West, but the fact is, as these reports show, when you continue to add them up they are nevertheless losses for the government. In this year when we're talking about halving the deficit over five years, that they should be put on the table.

Has your Committee been able to come up with an estimate of this? Part of the problem these reports show is they tell us time and again the accounting procedures simply aren't in place or are not useful in calculating the cost of some of these programs.

Mr. SYNAR. The answer is yes. In fact, we've almost been religious about trying to get an accurate number because as the debates particularly on grazing and timber and others have come full circle, and we've really had active debates on it, it was important to have the facts straight.

I think the numbers that I listed here can be backed up not only by GAO studies, but independent studies by the IG, OMB and CBO. So I really don't think we need to reinvent the wheel to try to go out and find accurate numbers. I think it's clear that these numbers are within the ball park, and I think that the savings that we can have by better management are within there.

I would also comment on what you said, George, with respect to how we have run natural resources programs. You know, there has been a lot of criticism in the last 10 days about Executive Orders on a variety of subjects. Many of these programs are being mismanaged without literally any Congressional input. They have been run by Executive Orders, which have been half baked, and we have been living under those and it's now time for Congress to exercise its Constitutional authority, which is to come back and to look at the program, the management and correct the type of management that has been there for too long.

The CHAIRMAN. Let me ask you another question with respect to the options that are available to the Congress. Mr. Smith opened up by suggesting that the result of these reports is that you're going to run beef off of public land. It seems to me that those are false choices that are constantly thrown up when we talk about reforms.

Having just gone through the water reforms in the State of California, we're constantly told that it will be the end of irrigation if anybody has to pay the cost of operations of the projects. But in fact that's not going to turn out to be true.

Should we continue to be led to believe that somehow the proper management of these programs is inconsistent with the purposes of the program, and the only way we can operate these programs is

through the loss of monies to the Treasury and/or the lax management and that these programs cannot be justified if they have to come under general rules of accounting and of debits and credits like everybody else has to operate?

Mr. SYNAR. Well I think you may have answered your question, and that is why shouldn't the government be run by the same basic standards of accounting and business that the private sector demands.

I can speak of each one of these programs individually. Let's talk to the one that Craig Thomas mentioned, which is have we had a sensitivity with respect to communities and individual people with the impact that grazing would have?

And I think Mike Synar's record in our Oversight Committee, where we have been active in on this area, is that we have been not only sensitive, but we have been over-sensitive. I don't think there is a Member of Congress that has traveled in more states in the West and visited with more grazing people and more public lands people than myself.

In fact, as of this moment at 10 o'clock on this very day Mr. Thomas and others have yet to provide one piece, scintilla or shred of evidence that anyone will be run off the grazing lands if we raise the grazing fees as I have recommended with Mr. Regula over the years. In fact, every definitive study that has ever been provided to Congress says exactly the opposite, that no one will be so impacted.

So, yes, it is an emotionally charged issue, but we have to remember, as you said in your question, we have to rely upon the basic facts on these issues. That's why the Government Operations Committee went even farther and tried to assimilate all the information and put together what we think are pretty accurate numbers on the savings coming from all these reports and to put an independent view on it, a Congressional view on it with respect to all this.

I think as we move through this, whether it be timber or irrigation and other things, yes, we have to take that into account, but we also have to divorce ourselves from the emotionalism, and where we can run a business better and manage a department better and a program better, we should not fail to accept that as the route.

The CHAIRMAN. Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Mike, here we go again. We'll be discussing this for some time through this Congress as we have in the past.

I just wanted to ask you, in face of the fact that the timber program generated last year $1.157 billion in revenue, paid costs of $685 million and generated a profit of $472 million, sending $301 million in the 25 percent sharing to the various States, why is that program not making money and, if it is, why are we attacking the Forest Service system for below-cost sales when many of those below-cost sales of course are attributable to other investments that this government makes, including recreation and wildlife and all the other facets of the multi-faceted management of the Forest Service?

Mr. SYNAR. Well let's answer that in two ways. First of all, the numbers that you just repeated were accrual accounting numbers,

and what George and I are offering up is that there is a better way to do it, which is cash accounting, which will even give us more savings and better management.

You know, we can just go half way on this. If we think we really believe in the principle of management and running government like a business, then we should go the whole distance and provide the type of management that will ensure that it's consistent across the board.

The whole timber program has been under such great debate, and one of the big problems, as George and you all deal with this on a day-to-day basis here in the Interior Committee, is that we need to all get on the same rhetoric. We've been using about five or six different kinds of accounting methods, and I think what we have to do is go back to one basic accounting method so that when the debate occurs we're all on the same page.

I would suggest, as Republicans are suggesting on Select Committees and other things as we proceed this year, that we can do better.

Mr. SMITH. One other point and question that I have is I have before me an analysis done by Dr. Frederick Obermiller from Oregon State University regarding the Regula amendment he had analyzed, and I quote. "The displacement effect under the Regula amendment would mean the equivalent of 5,000 small commercial ranch operations out of business." Now that is a scintilla of evidence.

Mr. SYNAR. No, that isn't because we knew about Mr. Obermiller. As you know, Mr. Obermiller has been close to the cattle industry over the years, and we had GAO and BLM analyze that report by Mr. Obermiller, and in a public hearing that we had in this very room a couple of months ago or a year ago most of those facts were disputed.

Mr. SMITH. I would like to see that if you would send it to me.

Mr. SYNAR. I'm sure the Committee will provide you the testimony of that hearing.

Mr. SMITH. Thank you.

Mr. SYNAR. Ms. English.

Ms. ENGLISH. Mr. Chairman and Mr. Synar, there is not only a disparity in the value of natural resources, but I think there is also a general difference in the attitude for the respect that people have towards natural resources, whether they be the public trust or private property.

I personally don't have documentation on this, and I'm wondering if you might have any background on the intangible costs of companies who will treat public trust land with a lot less respect towards management of natural resources than they would treat their own property. Again this is an intangible cost, but I think it is worthy of adding to the list of reasons for appropriately valuing our natural resources. And if you've got background or certain examples, I would like to be aware of those.

Mr. SYNAR. Karan, we can provide that for you, and I think also you might ask GAO when they testify because they have done probably the most comprehensive review of all the types of cost and the benefits of it, and I think they can probably provide some insight.

If I could just a second, I also would point out to Mr. Smith that on the record during the debate on the floor between Mr. Regula, myself and you we again went through the Obermiller report and Mr. Regula quoted the BLM and Forest Service and showed that no permittees would go out of business. So Mr. Regula also supports that position.

Ms. ENGLISH. That's my only question, but I would sure be interested in some answers on it.

Mr. SMITH. Well if the gentleman would yield on that point.

The CHAIRMAN. Yes.

Mr. SMITH. I don't want the question to be whether Dr. Obermiller is correct or not or whether the judgment by the so-called BLM expert is correct or not. The point is, however, that there is a point at which there is no yield to the price of a grazing fee, and we will debate that and it's a judgment decision likely between my experts and your experts. So we'll both go out and try to find experts that will back our position, and I'm sure we can all do that.

The point is that there is a place in which you price people off the range. In fact, 20 percent of the Bureau of Land Management lands are not leased today. That's some indication that they are not worthwhile leasing at the current price.

The CHAIRMAN. If the gentleman will yield since he's yielding on my time——

Mr. SMITH. I yield.

The CHAIRMAN [continuing]. I would say that again poses the suggestion that those are the only two choices, to continue the existing system or to price people off the land. I think it's the Inspector General's report or the GAO's, one of the two reports, suggests that perhaps by using market forces, just as we have in pollution control, rather than the strong hand of regulatory government and providing concessions, you can have range restoration, you can have sustainability of the lands, sustainability of the streams and so forth by using market forces, that there are other alternatives.

We have used grazing fees in this debate simply because we have never been able to get a debate on the policy because the Senate refuses to debate the policy on grazing fees. We have passed out numerous bills that have had bipartisan support, or what-have-you, over and again and they have never been considered in the Senate.

There are a whole range of options that are available to us. It isn't just about the collection of money. It's about the best management of the resources taking into account what it is that the people of this country are entitled to.

I suggest that they are entitled to two things—and it may not maximize money—and that is the management of the land resource, a natural asset, if you will, and of the Treasury. That does not necessarily mean that, therefore, the best we can give them is the maximum return to the Treasury because that may diminish the use of the land. But we don't get an opportunity to work out those policies because people say we've got enough votes to keep that from happening.

Well eventually it turns into a taxpayer/Treasury issue, and that will drive another result. That may not be the best result, but it will eventually drive that result.

If you read these reports, they suggest a number of alternatives, both within the fiscal management of these programs and, in some cases, the resource management of these programs that allow us to have a better and, I believe, a more sustainable result both for the Treasury and for the people involved in the use of these lands.

We would be making a mistake if we suggest to the public that it's an either/or proposition, because the fact of the matter is it really need not be that situation.

Mr. Hansen.

Mr. HANSEN. Thank you, Mr. Chairman.

I always appreciate Mike Synar's well-thought-out presentation. He always does a good job and always has done his homework.

I agree with Mr. Smith that I think we're down to the point of you put the opening shot across the bow and it's going to be a very interesting thing, and I agree totally with what you say about the idea of running this as a business. It should be, and I don't think there is any question such as that.

I guess though we do have the idea of expert witnesses and who do you believe and whose study do you believe. I don't think this is a partisan issue, and I don't think it's a conservative liberal issue. I think it's an issue of what is best for America and how do we get the most money out of it, and how we protect the environment of the public lands as per the way that many of us think it ought to be protected is probably different than many others think it should be protected.

We have all got our experts in this thing. It's like going to court and who do you believe. Have we got a malingerer or have we got an honest, legitimate plaintiff in this situation.

In this particular situation I have been very close to a fellow by the name of Dr. Jim Bounds. I was in the Navy with him many years ago and he is probably one of the best range management experts there is in America, and he has put his bid in this. Of course we would like to look at those and analyze them.

But I honestly feel there is a way we can come to a meeting of the minds. I'm sure it won't be here with an argument with the gentleman from Oklahoma, but it will be through a lot of work that we come up with. I just think it's a very appropriate thing that we're getting involved in, and I hope we can come up with things that are totally objective and that really take care of the problems of the people in the West.

I do feel there is more than a scintilla of evidence of those who will lose their ability to continue their ranches in the West. Many of them are my constituents who have for four or five generations been on the public ground and who have had more concern over the years going all the way back to the time that the pioneers first came into those valleys when there wasn't such a thing as a BLM, there was no Forest Service and there were no management people who had a great interest in the land, who took good care of it.

I know this falls as pure heresy on the ears of some people, but some of those people are some of our best environmentalists, and they believe very strongly about taking care of the ground.

So I do appreciate Mike Synar appearing before the Committee and what the Chairman has said. I think we'll all look forward to

reading these things and hashing it out, and thank you for allowing me to make a comment, Mr. Chairman.

The CHAIRMAN. Thank you.

Mrs. Vucanovich.

OPENING STATEMENT OF HON. BARBARA F. VUCANOVICH, A U.S. REPRESENTATIVE FROM THE STATE OF NEVADA

Mrs. VUCANOVICH. Thank you, Mr. Chairman.

I would ask unanimous consent to make my opening remarks part of the record.

The CHAIRMAN. Without objection.

[The opening statement of Mrs. Vucanovich follows:]

OPENING STATEMENT OF HON. BARBARA F. VUCANOVICH

Thank you, Mr. Chairman. I will forego a lengthy opening statement so that we might get to the gist of this hearing—the questions we have for the GAO and the Interior Department IG. As you know, I agree with many Members from my side of the aisle—on both sides of the Hill—that the General Accounting Office has become an arm of the majority party for the last several Congresses. Ask a question of the GAO and they will respond: "And just what answer would you like, Mr. Chairman?"

I voted for the amendment sponsored by Mr. Cox on the legislative branch appropriations bill last year to cut the GAO's funding because of the undue numbers of GAO staffers serving as "loaners" to committee chairmen throughout the House. Furthermore, on public lands issues of importance to my constituents, the GAO's Resources, Community, and Economic Development Division is a wholly owned subsidiary of the environmental organizations dedicated to stopping multiple-use policies as inconsistent with the gospel of "retention of public lands" mandated under FLPMA.

Mr. Chairman, these transition reports prepared by the GAO are simply summaries of the oft-times fatally flawed conclusions of earlier documents. Putting a white cover on the conclusions of what used to be a blue-covered report doesn't make the result any more meaningful. If the initial report was prepared by people lacking expertise in the field of inquiry—and they usually were—then the transition report will be the same "politically correct" but nevertheless erroneous document already used to make the case for "reform."

I promised to be brief, so I'll stop now, Mr. Chairman. But, I said to the Chairman of the Rules Committee a couple of years ago that the GAO doesn't know one end of a rangeland cow from another. To date, I see no reason to revise that assessment.

Mrs. VUCANOVICH. Mr. Synar, you claim that Dr. Obermiller is close to the cattle industry, and I think that is something that is acceptable, but it's odd that the GAO cites reports by the World Resource Institute, and I would just like to point out that WRI, whose data you cite on two occasions is one of the most partisan and preservation oriented groups inside the Washington beltway. It was created and controlled by former officials from Jimmy Carter's Administration.

So my question I guess is whether you think GAO made any attempt to balance its work by collecting data from less preservationist think tanks, such as Resources for the Future and the Heritage Foundation?

Mr. SYNAR. Barbara, I want to walk you all through this one more time, because this was the crux of the debate on the floor last year. You all know that, first of all, I've got a lot of things on my plate, and this grazing fee thing happens to be now my reputation and obviously I was the No. 1 target of the West in the last election, and I very frankly would like to get it off my plate.

I have also felt some obligation as a fourth generation rancher and someone who is a two-time national 4–H winner and has some pretty strong agricultural roots to have a sensitivity beyond what other Congressmen would have.

I asked GAO almost two years ago to do what I think your question suggests, which is to try to put the partisan and the philosophical debate aside, and we basically directed them to accumulate every piece of information that had ever been written on grazing on all sides.

We then also directed them to go out into the West and visit with literally dozens of grazing people in order to try to get a very good understanding. They met with government officials, they met with liberal conservative, pro, con, everyone, and they accumulated what I think is the definitive document with respect to this issue.

Now we can spend another session of Congress, as it suggests, that we're going to fight one expert or the other, or we can do what George Miller says. It's not an all or nothing proposition. There is not one of you who want defend your grazers that can justify this grazing fee at this level. You cannot do that. I mean whether it's going to be $2, $2.10 or $1.97, there is no way we as Congressmen can continue to justify losing $150 million a year in one project when 70 percent of the land is in poor condition.

Now, you know, Mr. Hansen says that I'm probably not the right one to negotiate. That's fine, make that decision and get somebody else, get George Miller. But I will tell you we have offered not one, not two, but anywhere from 1 to 12 different proposals to the Senate and to the Department of Interior to try to solve this problem and to get us back on track. I make that same invitation today.

But the fact of the matter is, and I want to really stress this, let's get off this expert thing. You know, the GAO works for both sides of the aisle. They don't have an ax in this. They are our "60 Minutes". Their job is like the Parliamentarian of the House, not to take sides, and their directives, their mandates are ordered by Congress.

We tell them what to look at and who to interview, and if we don't like it we send them back and second or third time, and that's exactly what we've done. So don't beat up on them. Beat up on the people like Bill Clinger and Mike Synar and others, who in a bipartisan fashion, have been asking for these reports and coming up with unanimous reports out of the Committee on Government Operations.

Look, if you don't want us to do oversight and if you don't want us to find this waste, fraud and abuse eliminate the Government Operations Committee. Okay?

Mrs. VUCANOVICH. It's not a bad idea.

Mr. SYNAR. Well, fine. [Laughter.]

You know, your party, if I remember correctly, during the Rules fight wants to take over the Government Operations Committee. You think it's a great place to have now since we both have the Legislative and Executive Branch. So you do see a purpose in having Government Operations.

So the point is that I'm like George, I'm tired of the debate. We've got bigger things to fry around here, and let's get through

the easy stuff and let's cut some deals here. Let's improve the management, and let's don't do an all or nothing type of thing.

But the fact is that if you all can afford another $150 million lost this year because of below-fair-market grazing fees, your people are a lot more generous with their money than my people are in the Second District of Oklahoma.

Mrs. VUCANOVICH. Mr. Chairman, a lot of my time has disappeared, but if I still have a few more minutes, I would just like to make a comment about your point that the GAO visited dozens of rancher, and my constituents tell me that the GAO personnel didn't know a Herford from a Hereford. So I'm not too impressed with what you've told me on their background.

You know, changing the subject a little bit and talking about the GAO, how many GAO employees are currently working on detail for the staff of your Subcommittee on Energy and Natural Resources?

Mr. SYNAR. None.

Mrs. VUCANOVICH. Well according to their records for 1992, there were four GAO detailees.

Mr. SYNAR. You asked right now. The question was right now.

Mrs. VUCANOVICH. Oh, well of course we haven't really started——

Mr. SYNAR. May I ask. I mean that's a nice——

Mrs. VUCANOVICH. Pardon me?

Mr. SYNAR. They phase through. They go through our subcommittee for limited time periods. I mean I thought your criticism, yours and Mr. Smith's and Mr. Hansen's was that we don't know what we're talking about. So we get people from GAO who know some of these subject areas and who have an expertise. Are you suggesting that in a bipartisan fashion Bill Clinger and I shouldn't get people who know more about it than we do?

Mrs. VUCANOVICH. Well not necessarily, but I think that there may be some sort of a conflict of interest, and when you're asking GAO I think most of us on the Minority side feel that when GAO is asked to report they simply say yes, Mr. Congressman, what would your——

Mr. SYNAR. Well, you're obviously not familiar with the way I've run my Subcommittee for over a decade. We do things by unanimous consent. Bill Clinger and I never make a move without us being in agreement. If he doesn't agree, we don't do it. I'm never going to the floor without unanimous agreement out of my Subcommittees because I'm not going to take this partisan stuff. So maybe you need to talk to Mr. Clinger, too.

Mrs. VUCANOVICH. Well, Mr. Chairman, I know I have no time left. I'll yield back the balance of my time.

The CHAIRMAN. Thank you.

Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

I would just like to suggest to the Committee and perhaps ask for a response from our esteemed colleague, I know that he has been persistent on the floor on the issue of raising grazing fees. I know that he has received significant support both from people with fiscal concerns and people with environmental concerns.

I would just like to posit that I think it's time, and again I would invite your response, but I think it's time for this Committee to attempt to move a bill on the issue, something that is a little more thoughtful than a dramatic and punitive increase in the fee, something that addresses the great need for some restoration of these lands, for evaluation of where and how grazing is appropriate and, you know, dedicating some of the fees through an index or increased fee back into restoration and improvement on these public lands. They cover a vast part of my State and other Western States, and I think it's time for the Federal Government to make some reinvestment.

I will give you one example that I heard from a senior BLM employee of something that was done by the last Administration, things that could be rectified by Administrative order or perhaps by this Committee. It used to be that they could go out and survey the condition of the land and then restrict grazing on that area having to do with an on-the-ground survey.

Early on in the Watt era a regulation was quietly promulgated that said, no, you can't just go out and look at reality. What you need to do is a survey over five years of the condition of the land, and it's only after you have done it for five years that can you make any changes in the grazing allotments or the use of that land. Then all the people were cut out of that part of the BLM to do those assessments. So no assessments were done. So the changes couldn't be made.

It looks to me like we're headed toward the same problem we have with the spotted owl and old growth in the Northwest, which is a resource user industry is denying reality, and the reality is things have got to change in the way we graze on the public lands.

So I would suggest that it would be very timely for this Committee to take some of the work done by our colleague and some more thoughtful reforms include them in the BLM reauthorization.

But this Committee has not acted, and I objected to the Chairman a couple of times on the floor that grazing fee increases were coming on an Appropriations Bill. I would like to see this Committee take the initiative and get a thoughtful reform, and I think we can bring in the thoughtful parts of the industry that utilize these lands.

So it's just a comment and, Mike, you can comment on that if you want.

Mr. SYNAR. I would just say that, you know, the improvement of the land itself was part of the original amendment on grazing, and we not only wanted to take the $150 million and turn it back into the improvements, but also give the States an opportunity to share in that to improve their own lands.

So we've been trying to do a comprehensive overall look at management and not just taking fees and not getting anything back for it, because I think it's important to have a full circle type of approach.

The CHAIRMAN. Are you done?

Mr. DEFAZIO. Yes. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Calvert, any questions?

Mr. CALVERT. No questions, Mr. Chairman.

The CHAIRMAN. Mr. Pombo, any questions?

Mr. POMBO. No questions.

The CHAIRMAN. Mr. Dickey, any questions?

Mr. DICKEY. No questions.

The CHAIRMAN. Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Well I, too, appreciate your testimony. However, Mike, your comment, 70 percent of the range is in poor condition, I don't think that is substantiated by the reports, and those are the kind of comments that take us away from a reasonable resolution.

Mr. SYNAR. Craig, we would love to see any evidence of that, that 67, 68 or 70 percent of the land is in poor or unsatisfactory condition.

Mr. THOMAS. Well satisfactory and poor is different thing.

Mr. SYNAR. It's like the Obermiller quote that Bob said. We checked it out, and that's a complete falsehood. Twenty percent of the land is not there. BLM controlled by the Republicans for 12 years gives us a number of one percent.

Now you need to understand on this side of the aisle that we're using information supplied by your Administration's and your appointees' over the last 12 years information. If you can't control your own information coming out of your own agencies that you appointed the officials who are running them, what am I to do?

Mr. THOMAS. I'm telling you that's not accurate.

Mr. SYNAR. Well check with your BLM and OMB

Mr. THOMAS. It was not reported as 70 percent. I won't argue with you about it. I just saying those are the kinds of comments that you flippantly throw out that aren't true.

Mr. SYNAR. No, Craig, they're accurate, totally accurate.

Mr. THOMAS. All right. You agree that business ought to be applied to all of government then, right, the business approach?

Mr. SYNAR. Absolutely.

Mr. THOMAS. Including the farm program.

Mr. SYNAR. The government doesn't necessarily have to run like a business, but when you're managing resources and assets and you're losing money, it should.

Mr. SMITH. Will the gentleman yield from Colorado for just one moment?

Mr. THOMAS. From Wyoming.

Mr. SMITH. From Wyoming, I'm sorry. [Laughter.]

You're name is Jones.

Mr. THOMAS. That's it, yes. [Laughter.]

Mr. SMITH. In 1991 the Bureau of Land Management classified 60 million acres accounting for 35 percent in good to excellent condition, 61 million acres accounting for another 36 percent in fair condition and only 15 percent were in poor condition.

Mr. THOMAS. I thank the gentleman.

The law requires fair market value, does it not?

Mr. SYNAR. No.

Mr. THOMAS. FLPMA does not require fair market value?

Mr. SYNAR. What?

Mr. THOMAS. FLPMA. The Public Lands Management Act requires fair market value.

Mr. SYNAR. But the grazing Executive Orders have countered that basic principle. That's the point. It's the Reagan Executive

Order of years back (1986) that we've been operating under that has caused this disparity in revenues coming in.

Mr. THOMAS. Well we're not talking totally about grazing fees. You suggest that all of this is not done on a market value, and that's not true, is it?

Mr. SYNAR. I'm suggesting to you, first of all, that I'm tired of being the poster boy for grazing and that I'm trying to be a full service officer here.

Mr. THOMAS. It has made you famous, and you continue to do it.

Mr. SYNAR. I understand that. If you'll look at this Firesale Bill, which is now in the third session of introduction, I have jurisdiction over the Department of Interior. We have taken the last decade in a bipartisan fashion and are trying to put together all the programs that DOI runs and show you across the board all the things.

Now it's very clear that from these numbers provided by GAO and a variety of other sources that we are not getting the fair market value. Now does that mean that your question, are we running it in fair market value, no, we're not, and that's the point. That's the point, we're not getting the fair market value.

Mr. THOMAS. My point is that the Congress has said fair market value. We wrestle with fair market value all the time and it's not easily established. We're talking about royalties on trona at the moment in Wyoming at fair market value. That's a subjective issue, but it is in the law, and we ought not to ignore that.

The other thing I guess is just a comment. You counter the outside studies by using Bureau of Land Management people, but you say in here that they don't have the information, they don't have an adequate collection of data, they are too decentralized, you say they are too bureaucratic, and you appear to use them only when it fits your need and don't rely on them any other time. That's really confusing.

Mr. SYNAR. Well that's a nice, cute way to do that, Craig, but let me tell you——

Mr. THOMAS. It's not cute at all. It's an observation.

Mr. SYNAR. It's very cute. Having been on Government Ops yourself, you realize that all these agencies have been starved, and one of the things that Mr. DeFazio pointed out is that we have by the mere starvation of budgets made their jobs almost impossible to provide a complete picture. That's why we have to bring the GAO in, and that's why we use OMB, CBO and a variety of other sources to supplement what we cannot get because we've starved these other agencies.

Mr. THOMAS. My point is you use them when you want to, and you say they're awful when you don't like it. I agree with my colleague from Oregon, you know these issues have always come from you in the appropriations process, and I think maybe it would be a good idea to take a look at them with some hearings, some balanced hearings, and I guess it was interesting you always say there is unanimous support on your Committee. Having been on it that surprises me a bit.

Thank you very much.

The CHAIRMAN. Mr. Evans.

Mr. EVANS. No comments.

The CHAIRMAN. Mr. Allard.

Mr. ALLARD. Yes, Mr. Chairman, if I can have an opportunity to discuss this issue a little bit with Congressman Synar.

You made the statement that the conditions of the rangelands are fair, poor, good compared to what, compared to land in Kentucky where you don't have to irrigate or compared to what that land was 30 years ago? You know, nationally your BLM is marginal land to start with. So when you talk about fair, good or poor and you reflect that as though it's a management problem, I think there are naturally poor lands there that you start with and that's the reason they end up being BLM because nobody else wanted them anyhow, and one way they made them available for farmers and ranchers was to lease that out.

Mr. SYNAR. Well, first of all, let me correct that. It's not my statement. I'm quoting again the BLM report of 1991, State of the Range, where they say 67 percent of the land is in poor and satisfactory condition, and that's based upon the biological capacity in comparison to the other Federal lands that they are managing.

Again, I'm using the BLM as my sources, which is the source that we come to, as the definitive people to go to to see what the shape of the land is, and I would take issue with you that BLM—

Mr. ALLARD. It seems to me that if you want to be objective, you want to assess what they're comparing to it. If you want this Committee to put together some good logical thinking, it seems to me that you need to question poor compared to what. You know, it has been poor marginal land for some time. So I think that those tough questions need to be asked and we shouldn't just automatically accept that because it's in a report.

The other thing that I would like to talk about a little bit is you talk about fair market value. Okay, so you're going to remove the cattle or the sheep off the BLM land or the forest. Is there a fair market value for the wild horses on BLM, is there a fair market value for deer and elk which if they allow to proliferate to a certain stage will cause damage to that land, and how do you then build that fair market value into the budgeting process?

Mr. SYNAR. Well that's exactly what our Firesale Disclosure Bill that George and I are introducing today is going to do. We are going to do a section-by-section analysis of what we're getting and what those assets are worth, and that's why you probably want to run over there and co-sponsor this today because your question suggests we don't have that information, and with your co-signature maybe we can move this and get the kind of information that will make it easier for us to make good decisions.

Mr. ALLARD. It probably won't surprise you, but I'm not going to co-sponsor it.

Mr. SYNAR. We don't have that information.

Mr. ALLARD. I would like to work with you on the issue. I think there are some things that need to be thought about that perhaps maybe you haven't. So I do bring them up for your consideration.

The CHAIRMAN. Let me say again for the record that this Committee would be more than happy to pass out a reauthorization bill. I think it has been 10 years since BLM has been reauthorized. It has not been this Committee's problem. We have been absolutely unable to get consideration of these issues and a vote on these

issues in the United States Senate. So we're left with the tools that we have which, unfortunately, come through the appropriations process.

It's very rare when the Chairman of an Authorizing Committee joins in the process of appropriations to start writing legislation, and maybe the Members of this Committee can talk to their Senate counterparts from the West and get consideration of an overall BLM bill.

As we'll see in these hearings, obviously this issue goes way beyond the BLM. This goes to the entire jurisdiction of this Committee and problems that have been highlighted both by Congressman Synar's Oversight Committee that go from the Trust Territories to Indian Affairs to BLM to Bureau of Reclamation to Mining, you name it. We have some horrendous hemorrhages in terms of the public taxpayers' monies and the question of the sustainability of the resource for any purpose, whether you want to run beef cattle on it or somebody wants to run wild horses on it. The question goes to the sustainability of those lands for those purposes.

Michael, thank you very much for your diligence and your oversight and your work on these issues. Thank you for testifying this morning.

We have been joined by Senator Hatch who has asked permission to put his statement in the record and say a few brief words, and then he is going to have to leave because he is not going to be able to meet the time availability later this afternoon after GAO.

At this point the Chair will recognize Senator Hatch of Utah.

STATEMENT OF HON. ORRIN HATCH, A U.S. SENATOR FROM THE STATE OF UTAH

Senator HATCH. I want to thank you, Mr. Chairman, for your kindness to me in letting me put my statement in the record. If I can, I will.

We have read this transition report, and I have to say that there are a number of areas in which we have severe disagreement, especially in the West and especially in States like mine where there is a high percentage of Federal Government ownership. Almost 70 percent of my State is owned by the Federal Government, and if the GAO transition report would be accepted, we would be out of business in a lot of these areas that really we think are critical to the country and critical to our State.

So with that I would just take issue with a number of the items in the transition report.

Thank you, Mr. Chairman, for allowing me to take these few minutes and put my statement in the record if I can.

The CHAIRMAN. Thank you.

Senator HATCH. Thank you so much.

[The prepared statement of Senator Hatch follows:]

STATEMENT OF SENATOR ORRIN HATCH

BEFORE THE

HOUSE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

FEBRUARY 2, 1993

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to submit testimony before the Subcommittee this morning regarding the General Accounting Office's (GAO) transition report on Natural Resources Management.

As you know, the report discusses the various federal programs related to the management and preservation of natural resources located on federal lands. The report points out what, in the opinion of GAO, are deficiencies in these programs and puts forward recommendations to Congress to address these so-called weaknesses. I recognize the report is a transition document only and not a detailed analysis of each issue addressed; but I must, nevertheless, take issue with its findings as I have had to do for other GAO reports on land management.

Last year, for example, I joined with several House and Senate members to question the GAO's conclusions on several public rangeland management reports released between 1988 and 1990. An independent natural resources consulting firm, Resource Concepts, Inc., reviewed these reports and concluded in its own report to Congress that the GAO reports "were found to be lacking in both technical accuracy and objectivity." A group of 18 professional range management experts, who have dedicated their careers to understanding complex range ecosystems and their management, reviewed and concurred with this report. One of the

18 was Dr. James E. Bowns, a range ecologist from Southern Utah University, who I know personally and in whom I have total confidence on issues of range management. Jim has been a member of the Bureau of Land Management's (BLM) National Advisory Committee for many years, a recognized expert on public land matters, and he would not support, let alone affix his signature, to this independent report unless he absolutely believed GAO had erred in the formulation of its conclusions. I would urge the GAO to expand its utilization of this kind of established expertise in this subject area.

The GAO report touches on many different programs and issues. I would like to make a few comments on several items important to my state that are mentioned in the report.

In the section entitled, "Federal Water," GAO states that the estimates of the current cost of federal water subsidies are substantial. The report goes on to state that GAO does not know if these subsidies are still warranted or whether irrigators could pay more of the cost of the water delivered. I am concerned with these statements, particularly when I consider the impact such statements may have on the completion of legitimate agricultural projects, like the Central Utah Project (CUP). As the chairman knows, Congress last year passed legislation authorizing final funding to complete CUP. A vital portion of that package is the long-awaited Irrigation and Drainage System (I&D System), which would provide water to farmers and ranchers in central Utah. The citizens of these areas have been paying taxes, in good faith, for the development of this system that may

have many long-term economic benefits to the area beyond meeting the immediate irrigation needs. Agriculture is a $2.3 billion industry to Utah, where water is a scarce commodity, and farmers and ranchers deserve to see delivery of those CUP features promised to them many years ago by the federal government. It is worth noting that any future projects, including the I&D System, will be built by a local match equaling 35 percent of the cost of the project. In addition, there are many conservation and wildlife features that will be comprise the final plans for each component. Comments like those contained in this GAO report may derail the momentum gained by last year's legislative victory toward completing CUP in general and the I&D System in particular. It is my hope that this would not happen. Now that the CUP reauthorization legislation has passed the Congress, local input on which features, including the I&D System, are to be built will have tremendous impact. I continue to support the construction of the I&D System and hope this Congress would also.

With regard to recreation lands, I note the report's various statements that there is insufficient funding to achieve the many purposes or to provide the many services the National Park Service and the U.S. Forest Service must fulfill. The report focuses on negative situations rather than mentioning positive items that might address this situation. For example, when Salt Lake County and the U.S. Forest Service came together two years ago, portions of the Wasatch-Cache forest were overused and rapidly deteriorating due to the forest's close proximity to Salt Lake City. The two entities negotiated an agreement to build a

toll booth at the mouth of Millcreek Canyon, collect an entrance fee, and reinvest these fees in the canyon by rehabilitating picnic areas, hiking trails, stream beds, and other facilities in the canyon. After two years, the canyon has undergone a complete facelift, thanks to the efforts of many concerned volunteers and the funding provided by entrance fees. I must admit that I was skeptical of the proposal when it was first being discussed; but, I am a believer today that these types of partnerships can work effectively. GAO ought to acknowledge such arrangements as bona fide efforts to respond to the financial shortfall afflicting federal agencies.

With regard to grazing fees, the GAO has again put forward an astounding figure of potential revenue to be realized to the federal treasury if grazing fees are increased substantially over a 4 or 5 year period. Such estimates are naive and again show GAO's lack of understanding regarding this issue. If fees were to increase by that amount or more, ranchers could not afford to pay them and still conduct a viable ranching operation. The treasury would not realize anything close to GAO's figures. The goal of many in the environmental community to see grazing discontinued on public lands will have been realized, as ranchers, in lieu of paying higher fees, leave the industry. GAO, to be fair, should also examine the possible adverse economic impact of having grazing on federal lands eliminated or severely diminished through increased fees.

At the same time, and more importantly, I would once again state the economic realities of grazing on public lands which GAO

omits from its report. Dr. Darwin B. Nielsen of Utah State University has told this subcommittee previously that "there is no perfect grazing fee that all sides are searching for that will solve the problem between grazing fees on private and public lands." This subcommittee knows that rancher decisions are made on the total cost of grazing, which involves fee and non-fee costs. Since western ranchers on public lands are not permitted to own their grazing lands, they are required to install and maintain stock water ponds, fences, and other improvements at their own expense. None of these expenses, or non-fee costs, are included in the calculation of the grazing fee formula. If they were, we would find that the cost to western ranchers is very competitive with the costs of ranching in other areas of the country on private lands. If the Congress really wanted to be fair, it would deed over these lands to the several western states and its citizens who, at their own expense, have made these improvements to the public lands.

In Utah, most ranches are small family-owned cattle and sheep operations that are not wealthy units trying to take advantage of the government and appear on "Lifestyles of the Rich and Famous." Net income averages per operator are so low that over 50 percent of them have off-farm jobs to support their families. In addition, Dr. Nielsen informs me that over $500 million in Utah wages can be directly and indirectly attributed to beef cattle production, primarily range livestock operations. Over 40,000 Utah jobs are tied to range cattle production and range livestock is virtually the sole economic enterprise in many

rural counties. To say the least, efforts to increase grazing fees, which is the underlying message in the GAO report, would eliminate Utah's livestock industry and have a devastating impact on large sections of Utah economy. I believe this implied recommendation is underresearched and short-sighted.

I also disagree with the inference in the GAO report that current fees to graze on public lands "may represent a subsidy." Subsidy has a bad connotation in these days of tight budgets and limited resources, and as I've tried to point out in the previous paragraphs, there is no subsidy involved when one examines fee and non-fee costs together. GAO's use of the word "may" implies that the agency does not know how the grazing fee should be classified; yet, GAO is willing to label it with a negative word without presenting all the facts. GAO is using innuendos to put forward its case. The problem with grazing fees is not that they are too low, but the continued ignorance by GAO of all factors influencing these fees, especially non-fee costs.

Today is not the time to have an in-depth discussion related to reforms of the Mining Law of 1872, which is also addressed in the report. Based on the figures stated by GAO, GAO will no doubt recommend certain changes along the lines those proposed in recent years. However, I will simply state that for the past 121 years, the mining law has served the best interests of the country and the mining industry and has been amended periodically to bring it and operations conducted under it into harmony with our changing economic and environmental conditions. It is a comprehensive and predictable law that has worked well in

resolving environmental and land-use issues while continuing to allow the U.S. mining industry to produce the minerals that are essential to our economic and national security.

Last year, Congress passed more legislation to amend the current mining law. Despite these and other efforts by the mining industry to make minor modifications in the law, other proposals for wholesale changes in the law are still being pursued. I believe such changes must be thoroughly considered because the ramifications would be serious. Proposals containing punitive economic burdens and unreasonable environmental standards, among other things, will erode the ability of the industry to pursue responsible mineral development in the U.S. Instead, I hope Congress will pursue proposals to continue self initiation, improve security of tenure, and preserve the on-going exploration for and development of raw mineral deposits on public lands, while ensuring appropriate environmental responsibility. All this can be accomplished without wiping the original law off the books.

GAO mentions that the government receives no financial compensation for hardrock minerals extracted from federal lands. This statement implies that there is no economic gain to the government from mining operations, which is not correct. A direct royalty will add to the overall cost of a mining operation, which would force a mining entity to offset the royalty by decreasing other costs, such as payroll or purchases. This would equate to less mining activity and thus fewer jobs, lower state and federal tax revenues, and greater dependence on

foreign sources for minerals. The latter is an issue which GAO does not even mention. There is more to this and other issues surrounding the Mining Law of 1872 than simply the statements made in the GAO report.

Revision to the mining law should ensure more economically and environmentally sound mining operations. But this should not be done if it will result in diminished federal tax revenues, an inability to maintain a strong minerals based in the United States, and creates an additional land use planning tool to decrease responsible mining on public lands.

Mr. Chairman, Utahns love the land. They love those they own outright and those they share with the public. And, while we would prefer to see the federal government's percentage of lands decrease in our state - right now it is near 70 percent - we continue to treat all lands in Utah as if they were are own. Most Utahns make their livelihood off the land, both private and public lands, and they understand that if they don't care for the land, that livelihood will be threatened. We are not so environmentally stupid, if you will, to lay waste to the land that literally feeds us. We will take care of the land, and we will do it better than any government entity. We will ensure that it is properly managed.

I appreciate the opportunity to present additional information on the issues addressed by GAO in this report. Suffice it to say that on the preservation of public lands, I would place my trust and confidence in the experience and knowledge of my fellow Utahns. We cannot allow ourselves to be

dissuaded or sidetracked by government reports written by those who lack this experience and who surely do not have the same day to day respect for Utah's future beauty and bounty.

I look forward to working closely with the members of this subcommittee as Congress evaluates proposals that would affect land management.

Mr. SMITH. Mr. Chairman.

The CHAIRMAN. Yes, Mr. Smith.

Mr. SMITH. Mr. Chairman, I have a statement from Senator Domenici I would like to insert in the record at this time.

The CHAIRMAN. If there is no objection, it will be made part of the record of the Committee.

[See appendix.]

The CHAIRMAN. Hearing none, so ordered.

Mr. SMITH. One other thing, Mr. Chairman.

The CHAIRMAN. Yes.

Mr. SMITH. If I may, I have a statement from Michael J. Penfold, Assistant Director of Land Management, May 12, 1992, for this Committee that I would like to insert in the record, indicating, and I quote again, "In 1991 the BLM classified over 60 million acres accounting for over 35 percent of the rangeland in good to excellent condition, about 61 million acres accounting for another 36 percent in fair condition, and only 26 million acres, or 15 percent were in poor condition."

I would like that entered into the record at this time.

The CHAIRMAN. I think it just was, but, yes, without objection, so ordered.

Mr. SMITH. Thank you.

[See appendix.]

The CHAIRMAN. The next witness before the Committee will be J. Dexter Peach, who is the Assistant Comptroller General for the Resources, Community and Economic Development Division of the General Accounting Office in Washington, D.C.

Mr. Peach, welcome to the Committee, and you may proceed in the manner in which you're most comfortable in presenting your statement to the Committee.

STATEMENT OF J. DEXTER PEACH, ASSISTANT COMPTROLLER GENERAL, RESOURCES, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION [RCED], GENERAL ACCOUNTING OFFICE [GAO], WASHINGTON, DC, ACCOMPANIED BY JAMES DUFFUS III, DIRECTOR, AND CHARLES S. COTTON, ASSISTANT DIRECTOR, NATURAL RESOURCES MANAGEMENT ISSUES, RCED, GA

Mr. PEACH. Thank you, Mr. Chairman.

I would like to start off by introducing my colleagues who I have asked to join me at the table today, Mr. Jim Duffus on my right, who is the Director for our work on Natural Resource Management Issues, and Mr. Charlie Cotton on my left, who is one of the Assistant Directors working in that area.

We were asked to come here today to discuss our December 1992 transition series report on Natural Resource Management Issues. What our report highlights are the difficult choices facing this Congress and the administration in fulfilling the federal government's responsibilities as a steward of natural resources under increasing budgetary constraints.

As requested, my testimony today will focus on the report's proposals to obtain a better return for the sale or use of natural resources that the federal government is legislatively mandated to foster, protect and preserve.

The essence of our message is that current funding in the natural resource area is not adequate to address the declining condition of the nation's natural resources and the related infrastructure on federal lands.

A number of proposals to obtain a better return for the sale of natural resources have been made in recent years, but have not succeeded. We believe this is in part because the full extent of the staffing and funding shortfalls facing federal natural resource management agencies has not been clearly articulated and pulled together, and the proposals and dialogue surrounding them have not focused on the need to encourage uses that are compatible with sustaining the nation's natural resources for future generations.

First, let me talk about the need for setting priorities under budgetary constraints. Each year the federal government acquires additional lands to conserve natural resources and expands the infrastructure of buildings, roads, trails, bridges, developed sites, water and sewer systems, dams and other facilities constructed to provide access to or make use of the natural resources on federal lands.

Yet, the existing infrastructure, which is approaching $200 billion in value is in a growing state of disrepair, and the condition of the lands are deteriorating. At the same time agency staff are being asked to assume increasing responsibilities and perform more duties. As a result, existing maintenance and reconstruction standards are being compromised and tradeoffs are being made among important, yet competing work priorities.

For example, the cost of deferred maintenance at national parks has grown to over $2.1 billion. Similarly at least $644 million is required to eliminate the backlog of projects to maintain and reconstruct trails and developed recreation sites in national forests.

In addition, millions of dollars are needed to develop and maintain special recreation and wilderness areas in accordance with current standards. Significant staffing and funding shortfalls have been reported in programs and activities to restore riparian areas damaged by overgrazing and detect and deter unauthorized grazing; list, in a timely manner, about 600 domestic species for which adequate information is available to support protection under the Endangered Species Act; and control the use of wetlands.

Although annual appropriations for managing natural resources have increased in recent years, these increases have not been large enough to make a dent in the needs for repairing the infrastructure and increasing staff. Moreover, budgetary constraints will require substantial cuts to discretionary spending in future fiscal years and will not allow funding for new or deferred needs.

As a result, both the new Congress and the administration now face a difficult choice: They must find new sources of funding for the agencies responsible for managing natural resources and/or find ways for these agencies to operate more efficiently, or they must make further cutbacks in the agencies' services and/or standards for maintaining facilities and lands.

Cutbacks in services and standards are already being felt. For example, the Department of the Interior's National Park Service recently curtailed visitors' services throughout the 367-unit park

system to reflect the level of work that can realistically be achieved with available resources.

The cutbacks include deferring maintenance projects, hiring fewer seasonal employees, shortening hours for visitor facilities, closing campgrounds and public buildings during the off-season and low-use days, and leaving employment vacancies unfilled.

Now as our report notes, one alternative to further cutbacks in services or maintenance standards is to obtain a better return for the sale or use of natural resources on federal lands.

According to estimates prepared by the Congressional Budget Office, obtaining a better return for the sale or use of the nation's natural resources could generate an additional $4.5 billion in revenues and savings during fiscal years 1993 through 1997.

Similarly, according to estimates in a November 1992 report by the World Resources Institute, charging market prices for all commodities produced from the public domain, such as minerals, water, and timber, could bring in an additional $1.5 billion per year, and increasing fees for recreational activities on public lands could generate billions of dollars more.

During the 102nd Congress amendments were proposed and bills introduced to, among other things, stop valuable federal lands from passing into private ownership for a fraction of their value and impose fees for holding hardrock mining claims, increase the fees for grazing livestock on public lands, curb federal timber sales that cost the government more than they bring in, increase the fees paid to the government by concessioners on federal lands, increase entrance fees at certain parks and establish a new national pass that would allow unlimited entrance into federal recreation areas. Except for legislation increasing the fees for hardrock mining claims, none of these proposals was enacted.

Why weren't these proposals successful? We think there are at least two reasons.

First, the full extent of the staffing and funding shortfalls facing federal natural resource management agencies has not been clearly articulated. Although information has appeared about various shortfalls facing each of the executive branch agencies primarily responsible for managing the nation's natural resources—the various bureaus within the Department of the Interior, as well as the Department of Agriculture's Forest Service and the Department of the Army's Corps of Engineers—this information has not been aggregated to provide a complete picture of these agencies' collective unmet needs.

As a result, policymakers are not in a position to weigh the relative seriousness of the risk to the nation's natural resources against other national priorities and needs and devise strategies accordingly.

For example, in January 1990, the administration announced a major new initiative called "Legacy '99" to maintain and enhance the infrastructure of Interior's land-managing agencies by increasing funds for maintenance, construction, correcting hazardous materials problems, and improving the safety of dams over a 10-year period.

The administration's justification, however, contained no baseline information concerning the cumulative shortfall and funds for

deferred maintenance and reconstruction the initiative was supposed to address. As a result, after an expenditure of over $1.6 billion over two fiscal years, the success of the initiative in accomplishing its objectives cannot be determined.

I might add, for example, that since 1988, the estimated backlog of deferred maintenance in the National Park Service went from $1.9 billion to $2.1 billion as reported in Interior's 1993 budget request.

Many of the same constraints affect programs and activities throughout the nation's natural resource management activities. For example, the Forest Service experiences many of the same staffing and funding shortfalls as Interior's Bureau of Land Management in managing its lands according to the principles of multiple use and sustained yield, the National Park Service in renovating poorly maintained recreation sites and facilities and Interior's Fish and Wildlife Service and BLM in implementing objectives and plans to benefit wildlife. Similarly, Interior's Bureau of Reclamation and the Army Corps of Engineers face growing and increasingly expensive needs to rehabilitate their inventory of dams and other water resource projects.

Yet, because the Forest Service and the Corps do not come under Interior's jurisdiction and no interagency committee exists to coordinate federal management of the nation's natural resources, these agencies' collective staffing and funding shortfalls are not known.

Now another reason that proposals to obtain a better return for the sale or use of the nation's natural resources have not succeeded, we believe, is that the proposals and the dialogue surrounding them have focused primarily on the economic advantages in terms of additional federal revenues and savings and the disadvantages in terms of local and regional dislocations of raising revenues rather than on the need to try to encourage uses that are compatible with sustaining the nation's natural resources for future generations.

We believe that opportunities exist to redirect many of these proposals toward fulfilling responsibilities of the federal government as a steward of the nation's natural resources.

You referred earlier, Mr. Chairman, to market-based incentives as one opportunity to encourage sustainable use of natural resources on federal lands. They can be considered, just as they are being considered, in contrast to the traditional "command and control" regulation in dealing with environmental pollution.

These incentives in the environmental area give environmental polluters a financial reason to reduce pollution without specifying how they should do so. We believe that similar incentives should be considered to improve the condition of the nation's natural resources and related infrastructure.

Toward this end, BLM and the Forest Service are currently examining the potential of using an "incentive-based" grazing fee system to improve the condition of public rangeland. Under this system the agencies would base annual grazing fees on the market value of public land forage, but then reduce fees for public land ranchers by up to 75 percent in exchange for good land stewardship.

The agencies state the system would generate federal revenues at least equal to current levels, thus, state and local governments that share grazing revenues with the federal government would receive no less in revenues than they do now.

We believe that such a system, if properly designed and implemented, could reward public land managers whose land management practices improved the range. At the same time, such a system could encourage other public land ranchers to initiate similar practices.

The Central Valley Project Improvement Act, which you also referred to, which was enacted as part of the Omnibus Reclamation Projects Authorization and Adjustment Act of 1992, uses market based incentives to increase federal revenues and protect natural resources by raising water rates and removing the legal impediments to water transfers.

To carry out its environmental and wildlife mandates, the Act establishes a restoration fund to be derived from [1] surcharges on the uses of federal water provided by California's Central Valley Project, [2] a three-tiered pricing system designed to encourage water conservation and, [3] increased water rates for certain water transfers.

The Act allows Central Valley Project water users to sell their water allotments with certain restrictions at market prices as long as the sales are in accordance with applicable state and federal laws, including the Act. By raising rates and allowing transfers, the Act encourages more efficient management of existing water resources through conservation and allows the market to determine the highest and best use of the water.

Charges that discourage overuse of the nation's natural resources offer another opportunity to sustain the resources for future generations. For example, according to the World Resources Institute, fees for recreational activities that reflect the cost of mitigating and repairing the damage caused by using the resources deter activity levels that do not sustain the resources.

What I would like to say in summary, Mr. Chairman, and stress is that the management of the nation's natural resources is at a crossroads and there are difficult choices that must be made.

One such choice is whether to find new sources of funding for natural resources management or, barring increased efficiency in the operations of Interior, Forest Service and the Corps of Engineers, face further cutbacks in the agencies' services and/or standards for maintaining facilities and lands.

In other words, Mr. Chairman, you have to "size the task" that you're giving the agencies with what they are being asked to watch over and conserve, or we have to look at other ways and other methods that might be used to achieve objectives.

We believe that in reaching these decisions, policymakers should know the full extent of the staffing and funding shortfalls which

face these agencies, and we think that opportunities do exist to encourage sustainable use of the resources by obtaining a better return for the sale or use of the resources.

This concludes my statement, Mr. Chairman, and I and my colleagues would be pleased to respond to the questions you and other Members of the Committee may have.

[The prepared statement of Mr. Peach follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Oversight and Investigations, Committee on Natural Resources, House of Representatives

For Release on Delivery
Expected at
9:45 a.m. EST
Tuesday
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NATURAL RESOURCES MANAGEMENT

Issues to Be Considered by the Congress and Administration

Statement of J. Dexter Peach, Assistant Comptroller General, Resources, Community, and Economic Development Division

GAO/T-RCED-93-5

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our December 1992 transition series report on Natural Resources Management Issues (GAO/OCG-93-17TR). Among other things, our report addresses the difficult choices facing this Congress and administration in fulfilling the federal government's responsibilities as a steward of the nation's natural resources under increasing budgetary constraints. As requested, I will focus on the report's proposal to obtain a better return for the sale or use of the natural resources that the federal government is legislatively mandated to foster, protect, and preserve.

In summary, current funding is not adequate to address the declining condition of the nation's natural resources and related infrastructure on federal lands. A number of proposals to obtain a better return for the sale or use of natural resources have not succeeded, we believe, because (1) the full extent of the staffing and funding shortfalls facing federal natural resources management agencies has not been clearly articulated and (2) the proposals and the dialogue surrounding them have not focused on the need to encourage uses that are compatible with sustaining the nation's natural resources for future generations.

SETTING PRIORITIES UNDER BUDGETARY CONSTRAINTS

Each year the federal government acquires additional lands to conserve natural resources and expands the infrastructure of buildings, roads, trails, bridges, developed sites, water and sewer systems, dams, and other facilities constructed to provide access to or make use of the natural resources on federal lands. Yet, the existing infrastructure--approaching $200 billion in value--is in a growing state of disrepair, and the condition of the lands is deteriorating. At the same time, agency staff are being asked to assume increasing responsibilities and to perform more duties. As

a result, existing maintenance and reconstruction standards are being compromised, and trade-offs are being made among important yet competing work priorities.

For example, the cost of deferred maintenance at national parks has grown to over $2.1 billion. Similarly, at least $644 million is required to eliminate the backlog of projects to maintain and reconstruct trails and developed recreation sites in national forests. In addition, millions of dollars are needed to develop and maintain special recreation and wilderness areas in accordance with current standards. Significant staffing and funding shortfalls have been reported in programs and activities to (1) restore riparian areas damaged by overgrazing and detect and deter unauthorized grazing; (2) list, in a timely manner, about 600 domestic species for which adequate information is available to support protection under the Endangered Species Act; and (3) control the use of wetlands.

Although annual appropriations for managing natural resources have increased in recent years, these increases have not been large enough to make a dent in the needs for repairing the infrastructure and increasing staff. Moreover, budgetary constraints will require substantial cuts to discretionary spending in future fiscal years and will not allow funding for new or deferred needs. As a result, the new Congress and administration now face a difficult choice: They must find new sources of funding for the agencies responsible for managing natural resources and/or find ways for these agencies to operate more efficiently, or they must make further cutbacks in the agencies' services and/or standards for maintaining facilities and lands.

Cutbacks in services and standards are already being felt. For example, the Department of the Interior's National Park Service recently curtailed visitors' services throughout the 367-unit park system to reflect the level of work that can realistically be

achieved with available resources. The cutbacks include deferring maintenance projects, hiring fewer seasonal employees, shortening hours for visitors' facilities, closing campgrounds and public buildings during the off-season and low-use days, and leaving employment vacancies unfilled.

OBTAINING A BETTER RETURN FOR THE SALE OR USE OF NATURAL RESOURCES

As our report notes, one alternative to further cutbacks in services and/or maintenance standards is to obtain a better return for the sale or use of natural resources on federal lands. According to estimates prepared by the Congressional Budget Office, obtaining a better return for the sale or use of the nation's natural resources could generate an additional $4.5 billion in revenues and savings during fiscal years 1993 through 1997. Similarly, according to estimates in a November 1992 report by the World Resources Institute, charging market prices for all commodities produced from the public domain--such as minerals, water, and timber--could bring in an additional $1.5 billion per year, and increasing fees for recreational activities on public lands could generate billions of dollars more.

During the 102nd Congress, amendments were proposed and bills introduced to, among other things, (1) stop valuable federal lands from passing into private ownership for a fraction of their value and impose fees for holding hardrock mining claims, (2) increase fees for grazing livestock on public lands, (3) curb federal timber sales that cost the government more than they bring in, (4) increase the fees paid to the government by concessioners on federal lands, and (5) increase entrance fees at certain parks and establish a new national pass that would allow unlimited entrance into federal recreation areas. Except for legislation increasing fees for hardrock mining claims, none of these proposals was enacted.

ARTICULATING STAFFING AND FUNDING SHORTFALLS

We believe that these proposals were not successful for at least two reasons. First, the full extent of the staffing and funding shortfalls facing federal natural resources management agencies has not been clearly articulated. Although information has appeared about various shortfalls facing each of the executive branch agencies primarily responsible for managing the nation's natural resources--the various bureaus within the Department of the Interior as well as the Department of Agriculture's Forest Service and the Department of the Army's Corps of Engineers--this information has not been aggregated to provide a complete picture of these agencies' collective unmet needs. As a result, policymakers cannot weigh the relative seriousness of the risks to the nation's natural resources against other national priorities and needs and devise strategies accordingly.

For example, in January 1990, the administration announced a major new initiative called "Legacy '99" to maintain and enhance the infrastructure of Interior's land-managing agencies by increasing funds for maintenance, construction, correcting hazardous materials problems, and improving the safety of dams over a 10-year period. The administration's justification, however, contained no baseline information concerning the cumulative shortfall in funds for deferred maintenance and reconstruction that the initiative was supposed to address. As a result, after an expenditure of over $1.6 billion over 2 fiscal years, the success of the initiative in accomplishing its objectives cannot be determined.

Many of the same constraints affect programs and activities throughout the nation's natural resources management agencies. For example, the Forest Service experiences many of the same staffing and funding shortfalls as (1) Interior's Bureau of Land Management (BLM) in managing its lands according to the principles of multiple

use and sustained yield, (2) the National Park Service in renovating poorly maintained recreation-related sites and facilities, and (3) Interior's Fish and Wildlife Service and BLM in implementing objectives and plans to benefit wildlife. Similarly, Interior's Bureau of Reclamation and the Army Corps of Engineers face growing and increasingly expensive needs to rehabilitate their inventory of dams and other water resource projects. Yet, because the Forest Service and the Corps do not come under Interior's jurisdiction, and no interagency committee exists to coordinate federal management of the nation's natural resources, these agencies' collective staffing and funding shortfalls are not known.

DESIGNING PROPOSALS TO SUSTAIN
THE NATION'S NATURAL RESOURCES

Another reason that proposals to obtain a better return for the sale or use of the nation's natural resources have not succeeded, we believe, is that the proposals and the dialogue surrounding them have focused primarily on the economic advantages (i.e. additional federal revenues and savings) and disadvantages (i.e. short-term local and regional dislocations) of raising revenues rather than on the need to encourage uses that are compatible with sustaining the nation's natural resources for future generations. We believe that opportunities exist to redirect many of these proposals toward fulfilling responsibilities of the federal government as a steward of the nation's natural resources.

Market-based incentives offer one opportunity to encourage sustainable use of natural resources on federal lands. They are being considered to supplement traditional "command-and-control" regulation in dealing with environmental pollution. These incentives give environmental polluters a financial reason to reduce pollution without specifying how they should do so. We believe that similar incentives should be considered to improve the

condition of the nation's natural resources and related infrastructure.

Toward this end, BLM and the Forest Service are currently examining the potential of using an "incentive-based" grazing fee system to improve the condition of the public rangeland. Under this system, the agencies would base annual grazing fees on the market value of public land forage but then reduce fees for public land ranchers by up to 75 percent in exchange for good land stewardship. The agencies state that the system would generate federal revenues at least equal to current levels; thus, states and local governments that share grazing revenues with the federal government would receive no less in revenues than they do now. We believe that such a system, if properly designed and implemented, could reward public land ranchers whose land-management practices improved the range. At the same time, the system could encourage other public land ranchers to initiate similar practices.

The Central Valley Project Improvement Act, which was enacted as part of the omnibus Reclamation Projects Authorization and Adjustment Act of 1992 (P.L. 102-575), uses market-based incentives to increase federal revenues and protect natural resources by raising water rates and removing the legal impediments to water transfers. To carry out its environmental and wildlife mandates, the act establishes a restoration fund to be derived from (1) surcharges on users of federal water provided by California's Central Valley Project, (2) a three-tiered pricing system designed to encourage water conservation, and (3) increased water rates for certain water transfers. The act allows Central Valley Project water users to sell their water allotments, with certain restrictions, at market prices as long as the sales are in accordance with applicable state and federal laws, including the act. By raising rates and allowing transfers, the act encourages more efficient management of existing water resources through

conservation and allows the market to determine the highest and best use of the water.

Charges that discourage overuse of the nation's natural resources offer another opportunity to sustain the resources for future generations. For example, according to the World Resources Institute, fees for recreational activities that reflect the costs of mitigating and repairing the damage caused by using the resources deter activity levels that do not sustain the resources.

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In summary, Mr. Chairman, I would like to stress that the management of the nation's natural resources is at a crossroads and that difficult choices must now be made. One such choice is whether to find new sources of funding for natural resources management or--barring increased efficiency in the operations of Interior, the Forest Service, and the Corps of Engineers--face further cutbacks in the agencies' services and/or standards for maintaining facilities and lands. We believe that in reaching these decisions policymakers should know the full extent of the staffing and funding shortfalls facing federal natural resources management agencies. We also believe that opportunities exist to encourage sustainable use of the nation's natural resources on federal lands by obtaining a better return for the sale or use of the resources.

Mr. Chairman, this concludes my statement. I will be happy to respond to any questions that you or other Members of the Subcommittee may have.

(140512)

The CHAIRMAN. Thank you very much, Mr. Peach, for your testimony and for the work of you and your colleagues.

What I would like to do now is ask Mr. Richards, the Inspector General to come forward, and then we'll be able to ask you questions as a panel, and that you would both consider giving us your answers to those questions so that we can get as full a response as we might from both of your shops.

At this point we will hear from Mr. James R. Richards, who is the Inspector General for the Department of Interior in Washington, D.C.

Welcome to the committee, Mr. Richards. We look forward to your testimony. You may proceed in the manner in which you are most comfortable.

STATEMENT OF HON. JAMES R. RICHARDS, INSPECTOR GENERAL, DEPARTMENT OF THE INTERIOR, WASHINGTON, DC

Mr. RICHARDS. Thank you, Mr. Chairman and Members of the Committee.

I will summarize my testimony, and my full testimony is available to the Committee.

The CHAIRMAN. Thank you.

Mr. RICHARDS. I am pleased to appear before you today to testify about some of the major issues facing the Department of Interior.

At the outset I would like to make it clear that I'm testifying only for the Office of Inspector General of the Department. Obviously the request to testify was received by me during the previous Administration. Since the new Administration has taken over they haven't had a chance to focus on many of the issues I am testifying about, but all of my testimony is based on reports that basically remain unimplemented at the Department.

The CHAIRMAN. Thank you.

Mr. RICHARDS. The Department functions on a highly decentralized basis with five program Assistant Secretaries directing nine virtually autonomous bureaus. The Office of the Secretary basically functions as the 10th bureau with an overall mission of providing central leadership to the Department.

The bureaus have missions which are often in conflict with one another, such as the spotted owl controversy involving the BLM and the Fish and Wildlife Service, or a bureau may have conflicting missions within itself, such as the Park Service and its missions to preserve and protect natural resources while promoting access and enjoyment for visitors. Sometimes these competing and conflicting missions have contributed to ineffective program administration at both the Department and the bureau level.

Through our audits we have identified some significant problems, some of which I would like to bring to your attention. And let me suggest that these recommendations that we have made that are unimplemented, some of them involve tough policy choices involving bureaus that have powerful constituencies and are resistant to change.

Let me begin by discussing some basic problems associated with the office that is tasked with providing management oversight and guidance to the Department's various bureaus and offices. That

office, of course, is the Office of the Assistant Secretary for Policy, Management and Budget. That office has failed to provide effective oversight and leadership and it has resulted in continuing inefficient and ineffective operations by Interior's highly decentralized and autonomous bureaus.

Let me give you some examples: the conversion of the 13 bureau accounting systems to a single financial management system has not yet resulted in improved financial accountability or reporting. When I came to the Department in 1986 there were 13 different accounting systems, none of them compatible with one another and none of them approved by GAO.

A second example, the drug-free workplace program hasn't been conducted in an impartial manner, and it needs to be overhauled.

The lack of central oversight for procurement activities has resulted in inconsistent, inappropriate or deficient procurements by Departmental bureaus and offices. Problems noted include the lack of an adequate value engineering program, inadequate contract administration and incorrect data being reported to the Federal Procurement Data System.

Valuable artwork and artifacts owned by the Department were not adequately accounted for and controlled to protect them from theft, fire and environmental hazards. It took the personal intervention of the Secretary to bring reform. Also, property valued at about $390 million in three bureaus has not been adequately controlled or safeguarded and is susceptible to theft, waste and misuse.

And, finally, lack of coordination of Departmental mapping activities has resulted in duplication of effort and costly acquisitions. MMS is spending about $69 million to purchase mapping capability which USGS already has, and BLM is spending $2 million to produce maps that don't meet Federal standards.

Let me turn to some of the other bureaus starting with the Bureau of Reclamation. Reluctance of the Bureau of Reclamation to take necessary measures to recover much of its $16 billion capital investment in water resource projects has resulted in undue subsidies to project beneficiaries at the expense of the taxpayers.

For instance, failure to pursue the issue of concurrent recovery of non-interest bearing and the interest bearing portions of Federal investments in reclamation projects from project beneficiaries could cost the government about $2 billion over the period of repayment. This has a present value of $415 million and, because it has been such a long-time practice, it would probably take legislation to overturn this and require that both the non-interest bearing irrigation repayment and the M&I with interest repayment proceed simultaneously.

Continued irrigation subsidies to farmers who also receive subsidies from the Department of Agriculture to limit production of crops in excess supply results in dual subsidies of about $66 million annually. I note that the Committee and the Congress did make some inroads in this connection in the Water Bill last year.

Failure to establish adequate water rate setting policy for the Central Valley Project has resulted in continuing cost recovery deficiencies. It took the bureau 11 years to produce a draft policy, and it is inadequate.

The failure to follow Secretarial guidance in establishing the interest rate for repayment of the San Felipe water facilities will result in an undue $425 million subsidy over the life of the loan. The rate was originally set at the higher rate, and then the Department changed the rate and went back to the lower rate.

The failure to declare the Central Arizona Project complete will result in reduced cost recoveries and revenues amounting to about $21 million this year and another $36 million over the life of the loan.

The failure to establish a policy for determining values for water projects offered for sale to States and local utilities may result in significant losses to the U.S. Treasury. It's particularly important to develop such a policy since the Department is negotiating with California to transfer the Central Valley Project to the State.

The Bureau of Mines. Although there is no demonstrated need for the Federal Government to be in the helium business, the Bureau of Mines has continued to operate a helium program and has accumulated over $1 billion in debt. We recommend that that program be terminated.

The Bureau of Land Management. Although the Bureau of Land Management has repeatedly maintained that it does not have sufficient resources to accomplish its mission, and one can sympathize with that, it has continued to ignore recommendations made to more efficiently use its existing resources, most notably, recent recommendations for reorganizing its three-tier organization field structure.

In addition, its failure to perform activities such as precommercial thinning, fertilization and plantation maintenance needed to sustain timber growth for future timber sales, in other than old growth forest, will result in the loss of almost $2 billion in future revenues.

BLM's failure to devote adequate resources to ensure that viability of the Bureau's drainage protection program may result in the loss of $74 million in royalties.

Fees charged for grazing permits on Federal lands do not reflect the true market value of the permits, the subject that you were talking about with Congressman Synar. As a result, the bureau incurs over $30 million annually in unrecovered costs to manage the grazing program while permit holders make profits of up to $5 million annually by subleasing their grazing privileges.

At least the bureau should require large corporate conglomerates to pay the actual cost of the grazing program since they represent only three percent of the 19,000 permit holders but use 35 percent of the total acreage under permit.

Over $5 million annually is lost by not charging user fees for processing applications for geophysical explorations on public lands.

Failure to perform inspection and enforcement activities associated with the plugging of oil and gas wells, to require operators to reclaim hardrock mining sites and to prevent unauthorized landfill and trash disposal sites has placed a tremendous potential liability on the Federal Government.

The bureau's three-tier field organization has resulted in a duplication of program oversight functions and in excessive administra-

tive costs amounting to about $49 million annually. The bureau's decentralized field offices utilize about 50 percent of their manpower for administrative and program oversight purposes. Thus, there is much duplication and redundancy in the state, district and resource area offices.

For example, a petroleum engineer at the resource area office performs various operational duties, such as reviewing and approving applications to drill and flare and inspecting production facilities. A petroleum engineer serving as a program leader at the district office will monitor budgets and expenditures, track and count accomplishments of the resource engineers and prepare budget submissions, but will do little, if any, operational work. The state office program leader, who is also a petroleum engineer, monitors district budgets and expenditures, tracks and counts the accomplishments of the districts and prepares state office budget submissions, but does little or no operational work. Finally, all the state offices report to a program leader in headquarters who performs the same function as the state and district program leaders.

Basically what we have here is a system that the bureau has had for about 25 years that is simply obsolete and doesn't function efficiently.

The Minerals Management Service. Although the Minerals Management Service has made improvements in its royalty management program, highly significant issues remain which must be addressed.

One is that improvements are needed in the service's audit program to ensure that royalty underpayments are identified in a timely manner. And, secondly, and perhaps most importantly, appropriate resolution of the issues of terminating contract agreements called buyouts and of amending contracts to lower gas prices and volume requirements called buydowns for gas contract settlement agreements could result in additional royalties of up to $750 million.

The Office of Surface Mining. The Office of Surface Mining, Reclamation and Enforcement has been reluctant to initiate legislative changes needed to improve serious deficiencies associated with reclamation for coal and non-coal mining sites. Only two percent of abandoned coal mine sites involving health, safety and environmental hazards have been reclaimed.

The National Park Service. The Service has failed to negotiate reasonable franchise fees to implement an effective entrance fee collection program, to reduce its backlog of maintenance projects for roads, buildings and employee housing estimated to cost about $2 billion.

Concessioners reaped windfall profits basically by paying low rates. At least $71 million may not be recovered because the Park Service has not pursued cost recovery of capital investments in utility systems from which concessioners and inholders benefitted.

More aggressive action could result in the collection of an additional $17 million a year in entrance fees at parks where fees are permitted, and $151 million could be collected at other parks if legislative and other restrictions are eliminated.

The failure to request the additional funding needed for natural resource and maintenance projects has resulted in a tremendous

backlog of such projects that might be completed in order to prevent or mitigate known threats.

The Fish and Wildlife Service. Recovery costs for presently known endangered species is estimated by the Service to be $4.6 billion. However, this estimate doesn't include recovery costs for about 3,600 species not officially listed as endangered, but which have been identified as meriting protection. Since total recovery resources available to the U.S. Fish and Wildlife Service amounts to only about $8.5 million a year, it's doubtful that the Fish and Wildlife Service can perform this mission.

The Bureau of Indian Affairs. The Bureau of Indian Affairs lacks the expertise, systems and the independence to effect significant improvements in its operations which have been fraught with severe deficiencies and weaknesses. Here are some examples.

The Office of Management and Budget and the General Accounting Office have classified the bureau's accounting and financial operations as high risk, but, due to the efforts of an OMB/Department task force, improvements are being made.

Decent, safe and sanitary housing hasn't been provided for many Indians eligible for such assistance.

Deficiencies in accounting and financial management, especially trust fund accounting, have adversely affected operations of the bureau's programs and the lives of Native Americans. For instance, the BIA accounting system has been converted to the Federal financial system, but trained personnel are not in place or available to operate it and much work needs to be done.

Mismanagement of natural resources, especially the Bureau's timber program, has resulted in a loss of income to individual Indians. Educational facilities that are safe, healthy and conducive to quality education have not been provided for Indian children.

The Office of Territorial Affairs. Ineffective oversight by the Office of Territorial Affairs, of the, basically, deep-seated and unresolved problems in financial management and program administration by insular governments have resulted in substantial inefficiencies in the operations of these governments and significant waste of Federal and local funds.

The issues I have discussed here today are not intended to include all the vast array of problems within the Department of the Interior and its bureaus. We have not always been able to ensure complete coverage of all programs. However, our goal remains to concentrate on evaluating the performance of the Department and its bureaus and call them as we see them.

I further believe that if the Department and its bureaus would implement the recommendations we have made in our audit reports, Interior's operations would be improved and it would result in the benefit of reduction in costs and increases in revenues.

This concludes my prepared statement, and I would be, of course, happy to respond to questions.

[The prepared statement of Inspector General Richards follows:]

TESTIMONY OF
JAMES R. RICHARDS
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

JANUARY 26, 1993

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO BE HERE TODAY TO TALK ABOUT CERTAIN MAJOR ISSUES WITHIN THE DEPARTMENT OF THE INTERIOR. MY TESTIMONY WILL FOCUS ON SIGNIFICANT DEPARTMENTAL PROGRAMS AND ACTIVITIES WHERE WE HAVE IDENTIFIED SUBSTANTIAL OPPORTUNITIES FOR CUTTING COSTS, INCREASING REVENUES, OR IMPROVING MANAGEMENT PERFORMANCE.

THE DEPARTMENT OF THE INTERIOR HAS ABOUT 75,000 FULL-TIME EMPLOYEES DISPERSED THROUGHOUT 2,000 LOCATIONS; SPENDS OVER $9 BILLION A YEAR; AND COLLECTS REVENUES RANGING FROM $3 BILLION TO $10 BILLION ANNUALLY, DEPENDING ON THE EXTENT OF OIL AND GAS ROYALTIES. FISCAL YEAR 1992 RECEIPTS AMOUNTED TO ABOUT $5 BILLION. THE DEPARTMENT'S MISSION IS REFLECTED IN THE BROAD RANGE OF ACTIVITIES OF ITS 10 AUTONOMOUS BUREAUS. THROUGH OUR AUDITS OF THESE BUREAUS, WE HAVE IDENTIFIED MANY SIGNIFICANT PROBLEMS, SOME OF WHICH I WOULD LIKE TO BRING TO YOUR ATTENTION. CORRECTION OF THESE PROBLEMS WOULD CONTRIBUTE TO REDUCED FEDERAL SPENDING, INCREASED FEDERAL REVENUES, AND IMPROVED SERVICES TO THE AMERICAN PUBLIC. HOWEVER, I DO NOT SUGGEST THAT SOLVING THESE AND OTHER PROBLEMS OR EFFECTING IMPROVEMENTS IN THE DEPARTMENT'S ADMINISTRATION OF ITS PROGRAMS WILL BE SIMPLE OR EASY. ALL THE BUREAUS HAVE POWERFUL CONSTITUENCIES THAT ARE LIKE THEIR GOVERNMENT COUNTERPARTS, RESISTANT TO CHANGE.

THE DEPARTMENT FUNCTIONS ON A DECENTRALIZED BASIS WITH FIVE PROGRAM ASSISTANT SECRETARIES DIRECTING NINE AUTONOMOUS BUREAUS. IN ADDITION, THE OFFICE OF THE SECRETARY FUNCTIONS AS A 10TH BUREAU, WITH AN OVERALL MISSION OF PROVIDING CENTRAL LEADERSHIP FOR THE ENTIRE DEPARTMENT. MISSIONS ASSIGNED TO THE BUREAUS ARE OFTEN IN CONFLICT WITH ONE ANOTHER, AND PROGRAMS WITHIN INDIVIDUAL BUREAUS ARE ALSO OFTEN IN CONFLICT. AN EXAMPLE OF CONFLICTING MISSIONS BETWEEN BUREAUS IS THE SPOTTED OWL CONTROVERSY. THE U.S. FISH AND WILDLIFE SERVICE HAS BEEN

ATTEMPTING TO PROTECT AN ENDANGERED SPECIES' HABITAT IN ORDER TO PROTECT THE SPECIES, WHILE THE BUREAU OF LAND MANAGEMENT HAS BEEN VIEWING THE HABITAT AS COMMERCIAL TIMBER LAND. IN ANOTHER EXAMPLE, THE BUREAU OF RECLAMATION, IN ITS DEVELOPMENT OF VAST WATER PROJECTS (ESPECIALLY DAMS), HAS BEEN IN CONFLICT WITH THE FISH AND WILDLIFE SERVICE'S EFFORTS TO PROTECT SALMON THAT DAMS HAVE BLOCKED FROM REACHING THEIR SPAWNING AREAS. AN EXAMPLE OF COMPETING PROGRAMS IS ILLUSTRATED IN THE DIVERSITY OF THE BUREAU OF LAND MANAGEMENT'S MISSION. THE BUREAU IS RESPONSIBLE FOR CONSERVING AND PROTECTING ABOUT 270 MILLION ACRES OF PUBLIC LAND, BUT IT IS ALSO RESPONSIBLE FOR MANAGING AND DEVELOPING THIS SAME LAND. THESE CONFLICTING MISSIONS AND COMPETING PROGRAMS, WHICH ARE OFTEN INFLUENCED BY POWERFUL CONSTITUENCIES, HAVE BEEN THE SUBJECT OF MANY OF OUR AUDIT REPORTS. WE BELIEVE THAT THESE COMPETING AND CONFLICTING ISSUES HAVE CONTRIBUTED TO INEFFECTIVE PROGRAM ADMINISTRATION AT BOTH THE DEPARTMENTAL AND THE BUREAU LEVEL.

I WOULD LIKE TO BEGIN BY DISCUSSING SOME BASIC PROBLEMS ASSOCIATED WITH THE OFFICE THAT IS TASKED WITH PROVIDING MANAGEMENT OVERSIGHT AND GUIDANCE TO THE DEPARTMENT'S VARIOUS BUREAUS AND OFFICES.

CENTRAL MANAGEMENT

THE OFFICE OF THE ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET IS RESPONSIBLE FOR GENERAL OVERSIGHT OF THE DEPARTMENT'S OPERATIONS AND FOR THE DEVELOPMENT AND IMPLEMENTATION OF ADMINISTRATIVE POLICY, STANDARDS, OBJECTIVES, AND PROCEDURES FOR THE DEPARTMENT. THIS OFFICE, WHILE SMALL IN SIZE, IS STAFFED WITH A LARGE NUMBER OF POLITICAL APPOINTEES AND MEMBERS OF THE SENIOR EXECUTIVE SERVICE. HOWEVER, THIS HIGH GRADE STRUCTURE HAS NOT TRANSLATED INTO THE EFFECTIVE LEADERSHIP THAT IS DESPERATELY NEEDED. WHILE EXECUTIVES IN THAT OFFICE ACKNOWLEDGE THAT THEY HAVE THE RESPONSIBILITY TO PROVIDE OVERSIGHT TO THE DEPARTMENT'S VARIOUS BUREAUS, THEY

CONTEND THEY DO NOT HAVE COMMENSURATE AUTHORITY TO ENSURE THAT BUREAUS IMPLEMENT THEIR POLICY DIRECTIONS. WE HAVE IDENTIFIED SEVERAL ISSUES THAT HAVE DEPARTMENTWIDE SIGNIFICANCE AND REQUIRE STRONG EFFECTIVE LEADERSHIP FROM THE OFFICE OF THE ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET:

- THE OFFICE'S EFFORTS TO CONVERT 13 BUREAU ACCOUNTING SYSTEMS TO ONE SYSTEM AND TO ESTABLISH A SINGLE PAYMENT CENTER HAVE NOT BEEN VERY SUCCESSFUL. A SERIES OF OUR RECENT AUDITS HAVE SHOWN THAT THE CONVERSIONS TO THE SINGLE ACCOUNTING SYSTEM, CALLED THE FEDERAL FINANCIAL SYSTEM, HAVE ACTUALLY RESULTED IN EXTENSIVE MODIFICATION AND CUSTOMIZING OF EACH BUREAU'S VERSION OF THE SYSTEM. THUS, INSTEAD OF A UNIFIED SYSTEM FOR THE DEPARTMENT, EACH BUREAU HAS ESSENTIALLY MAINTAINED AND OPERATED ITS OWN DISTINCT AND SEPARATE ACCOUNTING SYSTEM. IN ADDITION, WE FOUND THAT THE BUREAUS' ACCOUNTING SYSTEMS HAVE BEEN OPERATING INEFFICIENTLY BECAUSE OF THE CONTINUED USE OF MANUAL OR REDUNDANT AUTOMATED SYSTEMS. ALSO, NOT ALL KNOWN DEFICIENCIES IN THE FEDERAL FINANCIAL SYSTEM HAVE BEEN CORRECTED OR ENHANCEMENTS DEVELOPED TO ADEQUATELY MEET EXISTING REQUIREMENTS. WIDESPREAD AND LARGE ACCOUNTING ERRORS STILL EXIST IN THE ACCOUNTS OF MANY BUREAUS, AND LARGE-SCALE VARIANCES EXIST IN AMOUNTS SHOWN IN BUREAU ACCOUNTS VERSUS FINANCIAL REPORTS MADE TO THE U.S. TREASURY.

- IN ANOTHER INSTANCE, THE DRUG-FREE WORKPLACE PROGRAM, CREATED AND OPERATED BY THE OFFICE OF POLICY, MANAGEMENT AND BUDGET, REPRESENTS ONE OF THE FIRST SUCH PROGRAMS IN THE FEDERAL GOVERNMENT. HOWEVER, A RECENT AUDIT FOUND THAT THE DRUG TESTING PROGRAM CONTAINED SERIOUS OPERATIONAL DEFICIENCIES (INCLUDING THE DESTRUCTION OF RECORDS AND MISHANDLING OF TEST SAMPLES) AND WAS NOT CONDUCTED IMPARTIALLY. FOR EXAMPLE, POSITIVE DRUG TEST RESULTS FOR 8 INDIVIDUALS WERE REPORTED AS NEGATIVE, EVEN THOUGH NO DOCUMENTATION WAS AVAILABLE TO SUPPORT A NEGATIVE FINDING, AND 61 SPECIMENS THAT HAD NOT BEEN TESTED WERE REPORTED AS

NEGATIVE. NONE OF THE INDIVIDUALS WITH UNTESTED SPECIMENS WERE RETESTED. IT SHOULD BE NOTED THAT POLICY, MANAGEMENT AND BUDGET FAILED TO PROVIDE THE ADEQUATE LEADERSHIP FOR THIS PROGRAM, EVEN THOUGH IT WAS DIRECTLY RESPONSIBLE FOR THE IMPLEMENTATION AND OPERATION.

- IN ANOTHER AREA, WE CONCLUDED IN A JULY 1990 AUDIT REPORT THAT ARTWORK AND ARTIFACTS OWNED BY THE DEPARTMENT WERE NOT ADEQUATELY ACCOUNTED FOR AND CONTROLLED TO PROTECT THEM FROM THEFT, FIRE, AND ENVIRONMENTAL HAZARDS. ABOUT 360 VALUABLE ART OBJECTS WERE MISSING, INCLUDING MONETARILY AND HISTORICALLY VALUABLE PAINTINGS AND SKETCHES BY SUCH NOTED ARTISTS AS NORMAN ROCKWELL, DAN FAUSETT, LAMAR DODD, ETHEL MAGAFAN, AND JEROME TIGER. WE RECOMMENDED THAT THE DEPARTMENT PROVIDE CENTRALIZED OVERSIGHT TO ENSURE THAT CONTROLS OVER SUCH VALUABLE ITEMS WERE PROVIDED. AFTER DIRECT INVOLVEMENT BY THE SECRETARY OF THE INTERIOR ON THIS ISSUE, THE DEPARTMENT HAS BEGUN DEVELOPING SPECIFIC INSTRUCTIONS AND PROCEDURES ON ACCESSIONING AND CATALOGING PROPERTY, ON CLASSIFYING OBJECTS AS ARTWORK OR ARTIFACTS, ON ESTABLISHING VALUES OF THE OBJECTS IN THE PROPERTY RECORDS, AND ON INITIATING BOARDS-OF-SURVEY ACTIONS ON APPRECIABLE PROPERTY. IN ADDITION, THREE AUDITS COMPLETED DURING FISCAL YEAR 1991 DISCLOSED THAT OTHER PROPERTY VALUED AT $390 MILLION HAD NOT BEEN ADEQUATELY CONTROLLED OR SAFEGUARDED AND WAS SUSCEPTIBLE TO THEFT, WASTE, AND MISUSE. TO ENSURE THAT EFFECTIVE CORRECTIVE ACTION HAS BEEN TAKEN, WE WILL CONTINUE TO PERFORM PROPERTY REVIEWS AS PART OF OUR RESPONSIBILITY TO AUDIT THE DEPARTMENT'S ANNUAL FINANCIAL STATEMENTS.

- IN ANOTHER EXAMPLE, A RECENT OFFICE OF MANAGEMENT AND BUDGET REVIEW OF CIVILIAN AGENCY CONTRACTING, IN WHICH THIS OFFICE PARTICIPATED, IDENTIFIED THE NEED FOR INCREASED DEPARTMENTAL OVERSIGHT OF THE BUREAUS' CONTRACTING ACTIVITIES. THE REVIEW CONCLUDED THAT POLICY, MANAGEMENT AND BUDGET NEEDED TO ENSURE COMPLIANCE WITH FEDERAL CONTRACTING POLICIES

AND PROCEDURES IN SELECTED AREAS OF CONTRACT ADMINISTRATION. ALSO, OUR AUDITS HAVE SHOWN THAT INACCURATE OR INCOMPLETE CONTRACT DESIGN SPECIFICATIONS RESULTED IN INCREASED CONSTRUCTION COSTS AND CONTRIBUTED TO CONTRACTOR CLAIMS. OF 28 CONSTRUCTION CONTRACTS (WITH A TOTAL INITIAL COST OF $403 MILLION) REVIEWED DURING AN AUDIT, WE FOUND THAT CONTRACT COSTS HAD INCREASED TO $570 MILLION BECAUSE OF CONTRACT CHANGES AND THE SETTLEMENT OF CONTRACTOR CLAIMS. A RECENT FOLLOWUP AUDIT ALSO DISCLOSED THAT THE DEPARTMENT COULD HAVE SAVED UP TO $8.7 MILLION IN FISCAL YEAR 1991 IF IT HAD IMPLEMENTED AN EFFECTIVE VALUE ENGINEERING PROGRAM THAT HAD BEEN RECOMMENDED IN A 1989 AUDIT REPORT. IN ADDITION, POLICY, MANAGEMENT AND BUDGET DID NOT IMPLEMENT AN EFFECTIVE SYSTEM OF INTERNAL CONTROLS FOR ENSURING THAT COMPLETE AND ACCURATE DATA ARE REPORTED TO THE INTERIOR PROCUREMENT DATA SYSTEM, WHICH IS SUBSEQUENTLY USED TO REPORT DATA TO THE FEDERAL PROCUREMENT DATA SYSTEM.

- ANOTHER EXAMPLE OF LACK OF OVERSIGHT BY THE OFFICE OF THE ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET INVOLVES REQUIREMENTS FOR THE PRODUCTION OF MAPS. ALTHOUGH THE U.S. GEOLOGICAL SURVEY IS GENERALLY RECOGNIZED AS THE PRIMARY PRODUCER OF MAPS FOR UNITED STATES NONDEFENSE FEDERAL AGENCIES, STATES, AND LOCAL GOVERNMENTS AND HAS SPENT HUGE AMOUNTS OF FUNDS ON THE LATEST TECHNOLOGY TO ACHIEVE THIS MISSION, THE OFFICE OF THE ASSISTANT SECRETARY HAS NOT TAKEN AN ACTIVE ROLE IN COORDINATING MAPPING ACTIVITIES WITHIN THE DEPARTMENT. OTHER BUREAUS, SUCH AS THE MINERALS MANAGEMENT SERVICE AND THE BUREAU OF LAND MANAGEMENT, HAVE CONTINUED TO PERFORM THEIR OWN MAPPING FUNCTIONS, WHICH HAS LED TO WASTEFUL DUPLICATION OF EFFORT AND INEFFICIENT OPERATIONS. FOR EXAMPLE, THE MINERALS MANAGEMENT SERVICE PLANS TO SPEND $69 MILLION TO PURCHASE NEW MAPPING EQUIPMENT AND TO REDESIGN ITS EXISTING MAPPING SYSTEMS, EVEN THOUGH GEOLOGICAL SURVEY HAS THE MAPPING CAPABILITIES AND THE EQUIPMENT TO PERFORM THE TASKS INVOLVED. ALSO, THE BUREAU OF LAND MANAGEMENT HAS SPENT ABOUT

$2 MILLION TO PRODUCE ITS OWN MULTIPURPOSE BASE MAPS, WHICH WERE NOT DIGITIZED IN ACCORDANCE WITH FEDERAL STANDARDS. THIS WILL RESULT IN DUPLICATION OF EFFORT BECAUSE THE SAME BASE MAPS WILL HAVE TO BE REPRODUCED FOR USE BY OTHER GOVERNMENTAL AGENCIES. EFFECTIVE DEPARTMENTAL COORDINATION COULD PREVENT SUCH DUPLICATIVE AND COSTLY ENDEAVORS.

NEXT, I WOULD LIKE TO DISCUSS SELECTED PROGRAMS WITHIN THE DEPARTMENT'S VARIOUS BUREAUS WHERE OUR REVIEWS HAVE DISCLOSED PROBLEMS IN AREAS SUCH AS SIMPLE ACCOUNTING, COMPLEX WATER REPAYMENT ISSUES, BUYOUTS AND BUYDOWNS OF GAS AND OIL CONTRACTS, GRAZING ON PUBLIC LANDS, AND THE QUALITY OF EDUCATION FOR INDIAN CHILDREN.

BUREAU OF RECLAMATION

I WILL BEGIN WITH THE BUREAU OF RECLAMATION, WHICH IS CURRENTLY IN TRANSITION FROM ITS ORIGINAL MISSION OF RECLAIMING THE ARID LANDS OF THE WEST THROUGH IRRIGATION TO IMPROVING THE MANAGEMENT AND ENVIRONMENTAL INTEGRITY OF RESOURCES ALREADY DEVELOPED.

ALTHOUGH THE BUREAU OF RECLAMATION IS REQUIRED TO RECOVER MUCH OF ITS $16 BILLION CAPITAL INVESTMENT IN WATER RESOURCE AND HYDROPOWER FACILITIES FROM PROJECT BENEFICIARIES THROUGH THE SALE OF WATER AND HYDROPOWER TO MUNICIPAL, INDUSTRIAL, AND IRRIGATION CUSTOMERS, OUR AUDIT REPORTS HAVE CONCLUDED THAT THE BUREAU HAS GENERALLY NOT PLACED SUFFICIENT PRIORITY ON RECOVERY OF THIS INVESTMENT. THE BUREAU HAS WORKED VERY CLOSELY WITH LOCAL GOVERNMENTAL ENTITIES AND THE PRIVATE SECTOR TO DEVELOP AND MANAGE THESE WATER FACILITIES; HOWEVER, THE BUREAU'S DECISIONS CONCERNING THE FINANCIAL MANAGEMENT AND REPAYMENT OF THESE FACILITIES HAVE FAVORED PROJECT BENEFICIARIES AT THE EXPENSE OF THE TAXPAYER. MY OFFICE HAS ESTIMATED THAT THE BUREAU COULD REALIZE ADDITIONAL REVENUES OF $3 BILLION (WHICH HAS A PRESENT MONETARY VALUE OF $663 MILLION)

BY REVISING CERTAIN POLICIES AND/OR COMPLYING WITH EXISTING POLICIES AND LAWS.

- THE SINGLE MOST SIGNIFICANT ECONOMIC ISSUE FACING THE BUREAU CONCERNS CONCURRENT RECOVERY OF THE NONINTEREST-BEARING AND THE INTEREST-BEARING PORTIONS OF THE FEDERAL INVESTMENT IN RECLAMATION PROJECTS FROM PROJECT BENEFICIARIES. THE METHOD THE BUREAU USES TO RECOVER THE IRRIGATION DEBT ON SIZEABLE WATER PROJECTS SUBSTANTIALLY LIMITS THE AMOUNT OF REVENUES PAID TO THE U.S. TREASURY. THE BUREAU'S POLICY OF ALLOWING USERS TO REPAY THE GOVERNMENT'S INTEREST-BEARING INVESTMENT IN MUNICIPAL AND INDUSTRIAL WATER AND ELECTRIC POWER FACILITIES BEFORE REPAYING THE INTEREST-FREE INVESTMENT IN IRRIGATION FACILITIES NEEDS TO BE CHANGED. A MORE BUSINESSLIKE APPROACH WOULD REQUIRE REPAYMENT OF THE INTEREST-FREE IRRIGATION ASSISTANCE COSTS CONCURRENTLY WITH THE INTEREST-BEARING DEBT. THIS CHANGE WOULD ALLOW THE GOVERNMENT TO ACCELERATE COST RECOVERY AND COLLECT $2.1 BILLION (WHICH HAS A PRESENT MONETARY VALUE OF $415 MILLION) OF ADDITIONAL REVENUES ON CERTAIN MAJOR PROJECTS SUCH AS THE UPPER COLORADO RIVER STORAGE PROJECT, THE PICK-SLOAN PROJECT, AND THE CENTRAL ARIZONA PROJECT. THE BUREAU AGREED THAT THE ISSUE OF TIMELY RECOVERY OF IRRIGATION COSTS WAS OF SUFFICIENT IMPORTANCE TO PURSUE. ACCORDINGLY, THE BUREAU SUPPORTED REPAYMENT REFORM LEGISLATION SUBMITTED BY THE DEPARTMENT OF ENERGY. A KEY PORTION OF THIS LEGISLATION WOULD REQUIRE A MINOR INCREASE IN POWER RATES TO ACCOMMODATE THE FASTER COST RECOVERY. HOWEVER, THE LEGISLATION DID NOT PASS, AND THE BUREAU HAS NOT TAKEN THE INITIATIVE TO PURSUE THE ISSUE FURTHER.

- THE BUREAU FURTHER DEMONSTRATED ITS LACK OF INITIATIVE IN THE AREA OF DUAL SUBSIDIES. DUAL SUBSIDIES OCCURRED WHEN FARMERS WHO PRODUCED CROPS THAT WERE IN EXCESS SUPPLY, SUCH AS COTTON AND FEED GRAINS, AND WHO OPERATED ON LAND SERVED BY BUREAU IRRIGATION FACILITIES OBTAINED SEVERAL HUNDRED MILLION DOLLARS ANNUALLY IN GOVERNMENT SUBSIDIES FROM BOTH THE

DEPARTMENT OF THE INTERIOR AND THE DEPARTMENT OF AGRICULTURE. FOR EXAMPLE, IN 1986 SUCH FARMERS RECEIVED $445 MILLION IN BOTH GOVERNMENT IRRIGATION AND CROP SUBSIDIES. AGRICULTURE PAID INDIVIDUAL FARMERS WHO WERE ENROLLED IN ITS COMMODITY PROGRAM AMOUNTS OF UP TO $50,000 PER YEAR TO LIMIT PRODUCTION OF DESIGNATED SURPLUS CROPS. AT THE SAME TIME, THE BUREAU PROVIDED THESE FARMERS IRRIGATION WATER AT REDUCED PRICES UNDER A PROGRAM THAT PROMOTES AGRICULTURAL PRODUCTION. MY OFFICE CONCLUDED THAT ELIMINATING PAYMENT OF THE IRRIGATION SUBSIDIES TO FARMERS WHO RECEIVED AGRICULTURE SUBSIDIES WOULD RESULT IN ANNUAL SAVINGS OF ABOUT $66 MILLION. THE BUREAU AGREED WITH OUR RECOMMENDATION TO PARTICIPATE IN A JOINT EFFORT WITH THE DEPARTMENT OF AGRICULTURE TO DEVELOP POLICIES AND PROCEDURES TO LIMIT OR ELIMINATE THE DUAL SUBSIDIES AND TO JOINTLY PROPOSE ANY ENABLING LEGISLATION THAT IS NEEDED. HOWEVER, THE BUREAU HAS REPORTED THAT AGRICULTURE IS NOT INTERESTED IN ADDRESSING THIS ISSUE AND THAT THEREFORE, "IT DOES NOT APPEAR THAT A JOINT SOLUTION CAN BE REACHED."

- THE BUREAU'S LACK OF INITIATIVE IN CORRECTING LONG-STANDING DEFICIENCIES IS BEST ILLUSTRATED BY ACTIONS ON THE CENTRAL VALLEY PROJECT. IN 1979, WE REPORTED THAT THE FINANCIAL HEALTH OF THE CENTRAL VALLEY PROJECT WAS DETERIORATING BECAUSE OF CONTRACTING AND COST-RECOVERY DEFICIENCIES. WE RECOMMENDED THE ESTABLISHMENT OF A SECRETARY-APPROVED UNIFORM AND CONSISTENT WATER RATE-SETTING POLICY BASED ON SOUND BUSINESS PRACTICES. IT TOOK THE BUREAU 11 YEARS TO ISSUE A DRAFT PROPOSAL FOR A RATE-SETTING POLICY FOR THE PROJECT. UNFORTUNATELY, THE TWO RATE-SETTING OPTIONS CONTAINED IN THE DRAFT PROPOSAL DID NOT PROVIDE FOR RECOVERY OF THE GOVERNMENT'S COST OF FINANCING UNPAID CAPITAL INVESTMENTS OR PAST OPERATING DEFICITS. CONSEQUENTLY, IMPLEMENTATION OF EITHER RATE-SETTING OPTION WOULD CONTINUE TO PROVIDE UNWARRANTED FEDERAL SUBSIDIES TO THE PROJECT'S MUNICIPAL AND INDUSTRIAL WATER USERS, AND THE FINANCIAL HEALTH OF THE PROJECT WOULD NOT IMPROVE. MY OFFICE HAS BEEN UNSUCCESSFUL IN CONVINCING THE BUREAU TO ESTABLISH

WATER RATES THAT GUARANTEE RECOUPMENT OF THE GOVERNMENT'S INVESTMENT WITHIN A REASONABLE TIME FRAME.

- ONE DECISION MORE THAN ANY OTHER EXEMPLIFIES HOW THE BUREAU HAS PLACED FINANCIAL INTERESTS OF SPECIFIC BENEFICIARIES ABOVE THOSE OF THE TAXPAYER. IN AUGUST 1991, THE ASSISTANT SECRETARY FOR WATER AND SCIENCE DETERMINED THAT THE BUREAU SHOULD REDUCE THE INTEREST RATE APPLICABLE TO REPAYMENT OF THE SAN FELIPE DIVISION'S MUNICIPAL AND INDUSTRIAL WATER FACILITIES COSTS FROM 5.116 PERCENT TO 3.5 PERCENT. WHILE I AGREE THAT RECLAMATION LAW GRANTED THE SECRETARY OF THE INTERIOR DISCRETION IN ESTABLISHING INTEREST RATES, THAT DISCRETION IS LIMITED BY LONG-STANDING SECRETARIAL GUIDANCE. THIS GUIDANCE STATED THAT INTEREST SHOULD BE CHARGED AT A RATE AT LEAST EQUIVALENT TO THE GOVERNMENT'S COST OF LONG-TERM BORROWING (WHICH WOULD HAVE BEEN 5.116 PERCENT FOR THE SAN FELIPE DIVISION). ALSO, EXEMPTIONS TO THIS POLICY SHOULD BE GRANTED ONLY IN THOSE CASES IN WHICH APPLICATION OF THE PRESCRIBED RATE WOULD RESULT IN "UNWISE OR WASTEFUL USE OF NATURAL RESOURCES." ACCORDINGLY, WE CONSIDERED THE 5.116 PERCENT INTEREST RATE TO BE THE APPROPRIATE RATE BECAUSE IT IS CONSISTENT WITH RECLAMATION LAW AND SECRETARY OF THE INTERIOR GUIDANCE. WE RECOMMENDED THAT THE ASSISTANT SECRETARY RECONSIDER HIS DECISION AND RETAIN THE 5.116 PERCENT RATE. THE ASSISTANT SECRETARY, HOWEVER, DID NOT REVERSE HIS DECISION, AND THE DEPARTMENTAL AUDIT FOLLOWUP OFFICIAL WAS REQUESTED TO RESOLVE THIS ISSUE. THIS OFFICIAL AGREED WITH THE ASSISTANT SECRETARY FOR WATER AND SCIENCE'S INTERPRETATION OF THE APPLICABLE LAWS AND STATUTES. WE CONTINUE TO DISAGREE WITH THE RESOLUTION OF THIS ISSUE BECAUSE THE DECISION TO LOWER THE RATE WILL RESULT IN THE DIVISION'S MUNICIPAL AND INDUSTRIAL USERS' BEING SUBSIDIZED BY THE TAXPAYERS BY OVER $425 MILLION (WHICH HAS A PRESENT MONETARY VALUE OF $43 MILLION) OVER A 50-YEAR PERIOD. EVEN THOUGH THE CONGRESS AUTHORIZES SUBSIDIES FOR AGRICULTURAL WATER USERS, IT HAS NOT AUTHORIZED SUBSIDIES FOR MUNICIPAL AND INDUSTRIAL USERS. IN MY OPINION, A DECISION TO PROVIDE A SUBSIDY OF THIS MAGNITUDE

SHOULD, AT A MINIMUM, RECEIVE CONGRESSIONAL OVERSIGHT AND APPROVAL.

- ANOTHER BUREAU DECISION THAT IS PROVING EXTREMELY COSTLY TO THE FEDERAL GOVERNMENT IS THAT THE CENTRAL ARIZONA PROJECT, DESPITE BEING COMPLETE AND CAPABLE OF DELIVERING WATER AS PLANNED, HAS NOT BEEN DECLARED SUBSTANTIALLY COMPLETE. THIS DECLARATION WOULD REQUIRE THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT TO BEGIN REPAYMENT TO THE GOVERNMENT IN 1993. INSTEAD, THE BUREAU AGREED TO ACCEPT $20.5 MILLION FROM THE CONSERVATION DISTRICT TO NOT DECLARE THE PROJECT COMPLETE. IN SO DOING, THE BUREAU WILL EXPERIENCE A NET REVENUE LOSS OF $21.2 MILLION THIS YEAR, WHILE THE PRESENT VALUE OF THE GOVERNMENT'S OVERALL COST RECOVERY OVER THE 50-YEAR REPAYMENT PERIOD WILL BE REDUCED BY $36 MILLION. FURTHERMORE, EVEN THOUGH THE BUREAU AGREED TO DEFER DECLARING THE PROJECT COMPLETE, THERE IS NO GUARANTEE THAT THE DISTRICT WILL NOT REQUEST ADDITIONAL DEFERRALS. IT IS ESSENTIAL THAT THE BUREAU DECLARE THE CENTRAL ARIZONA PROJECT "SUBSTANTIALLY COMPLETE" IN TIME TO PROVIDE FOR REPAYMENT TO BEGIN IN 1994.

- A RELATIVELY NEW PROBLEM FACING THE BUREAU CONCERNS THE BUYOUT OF WATER PROJECTS BY STATES OR LOCAL UTILITIES. ALTHOUGH SEVERAL OF THE BUREAU'S WATER PROJECTS HAVE BEEN PROPOSED FOR SALE IN RECENT YEARS, THE BUREAU HAS BEEN SLOW TO DEVELOP A POLICY FOR ESTABLISHING VALUES FOR THESE PROJECTS AND THEREFORE CANNOT ENSURE THAT THE PROPOSED PRICES RECOVER FAIR VALUE AND PROTECT TAXPAYERS' INTERESTS.

THE BUYOUT ISSUE HAS BECOME EVEN MORE CRITICAL WITH THE PROPOSED TRANSFER OF THE VAST CENTRAL VALLEY PROJECT TO THE STATE OF CALIFORNIA. IN ADDITION TO DEVELOPING POLICIES FOR ESTABLISHING VALUES FOR ITS PROJECTS, THE BUREAU MUST ALSO DEVELOP POLICIES AND GUIDELINES THAT CLEARLY DEFINE RESPONSIBILITY FOR MAINTENANCE, OPERATION, AND RENOVATION COSTS OF FACILITIES TO BE TURNED OVER TO STATES OR LOCAL UTILITIES.

BUREAU OF MINES

ANOTHER INTERIOR PROGRAM THAT IS PROVING COSTLY TO THE TAXPAYERS IS THE BUREAU OF MINES HELIUM PROGRAM. WHILE REVENUES FROM HELIUM SALES MAY HAVE EXCEEDED OPERATING EXPENSES IN SOME YEARS, THE HELIUM PROGRAM CURRENTLY HAS AN ACCUMULATED DEBT OF OVER $1.2 BILLION. IT IS GENERALLY ACKNOWLEDGED THAT THE OBJECTIVES OF THE HELIUM ACT, AS AMENDED, HAVE ESSENTIALLY BEEN MET AND THAT THERE IS NO LONGER AN OVERRIDING NEED FOR THE FEDERAL GOVERNMENT TO BE IN THE HELIUM BUSINESS. ACCORDINGLY, WE BELIEVE THAT STRONG CONSIDERATION SHOULD BE GIVEN TO GETTING THE FEDERAL GOVERNMENT OUT OF THE HELIUM BUSINESS AND DISPOSING OF ITS HELIUM CAPITAL ASSETS. ALTHOUGH THE SALE OF THESE ASSETS WOULD LIKELY HAVE TO BE MADE AT OR A LITTLE ABOVE SALVAGE VALUE, IT WOULD BE MORE COST EFFECTIVE TO TAKE A LOSS ON THE SALE OF ASSETS THAN TO CONTINUE ACCUMULATING DEBT.

BUREAU OF LAND MANAGEMENT

A CLASSIC EXAMPLE OF AN ORGANIZATION THAT HAS OFTEN FAILED TO ACCOMPLISH ITS MISSION EFFECTIVELY IS THE BUREAU OF LAND MANAGEMENT. ALTHOUGH OVER THE YEARS WE HAVE REPEATEDLY MADE SOUND RECOMMENDATIONS TO THE BUREAU TO CORRECT SIGNIFICANT DEFICIENCIES IN ITS PROGRAMS, OUR RECOMMENDATIONS HAVE OFTEN BEEN IGNORED OR ADDRESSED ONLY SUPERFICIALLY.

- FOR EXAMPLE, ALTHOUGH THE BUREAU'S TIMBER SALES PROGRAM IN WESTERN OREGON HAS BEEN HIGHLY PROFITABLE, RETURNING REVENUES OF OVER $200 MILLION, THE BUREAU HAD NOT REQUESTED FUNDING TO CONDUCT FOREST MANAGEMENT ACTIVITIES NEEDED TO ADEQUATELY SUSTAIN TIMBER GROWTH. FOREST MANAGEMENT ACTIVITIES SUCH AS REFORESTATION, PRECOMMERCIAL THINNING, FERTILIZATION, AND TIMBER STAND CONVERSIONS WERE NOT CONDUCTED. THEREFORE, TIMBER GROWTH WITH AN ESTIMATED NET VALUE OF ABOUT $90 MILLION IN FUTURE REVENUES WAS LOST FROM 1986

THROUGH 1989. ALSO, BECAUSE IT DID NOT COMMIT SUFFICIENT FINANCIAL AND PERSONNEL RESOURCES NEEDED TO ACQUIRE EASEMENTS THROUGH PRIVATE LANDS, THE BUREAU WAS UNABLE TO HARVEST AND SELL MATURE TIMBER WITH A PRESENT VALUE OF OVER $300 MILLION OR TO EFFECTIVELY MANAGE OTHER TIMBER LANDS CAPABLE OF GENERATING ABOUT $1.8 BILLION IN FUTURE TIMBER SALES REVENUES. LET ME EMPHASIZE THAT THESE ADDITIONAL REVENUE PROJECTIONS ARE RELATED TO TIMBER SALES FROM LANDS NOT INVOLVED IN THE SPOTTED OWL CONTROVERSY. WE INTENTIONALLY EXCLUDED FROM OUR AUDITS ALL LANDS WHERE TIMBER HARVESTING MAY BE RESTRICTED BECAUSE OF PLANS FOR PROTECTION OF THE SPOTTED OWL.

- THE BUREAU'S DRAINAGE PROTECTION PROGRAM IS ANOTHER EXAMPLE OF A HIGHLY PROFITABLE PROGRAM, SINCE REVENUES OF OVER FIVE TIMES THE COST OF OPERATING THE PROGRAM ARE RETURNED. HOWEVER, ADDITIONAL RESOURCES ARE NEEDED TO ENSURE THE VIABILITY OF THE PROGRAM. IN 1985, WE REPORTED THAT THE BUREAU HAD A BACKLOG OF OVER 8,400 DRAINAGE CASES, WHICH COULD TAKE OVER 53 YEARS TO REDUCE GIVEN THE LEVEL OF RESOURCES COMMITTED TO THE PROGRAM. IN 1990, WE REPORTED THAT THE BACKLOG HAD GROWN TO ALMOST 25,000 CASES. WHILE MUCH OF THE INCREASE WAS ATTRIBUTABLE TO THE BUREAU'S INITIATIVE TO IDENTIFY ADDITIONAL POTENTIAL DRAINAGE SITUATIONS, SOME OF THE INCREASE RESULTED FROM INSUFFICIENT PRIORITY AND RESOURCES BEING DEVOTED TO THE PROGRAM. WE CONCLUDED THAT ROYALTIES TOTALING ABOUT $74 MILLION COULD BE LOST IF THE BACKLOG OF DRAINAGE CASES WAS NOT ADDRESSED IN A MORE TIMELY MANNER.

- IN ANOTHER INSTANCE, THE BUREAU HAS NOT ENSURED THAT FEES CHARGED FOR GRAZING PERMITS ON FEDERAL LANDS REFLECT THE TRUE MARKET VALUE OF THE PERMITS. AS A RESULT, THE BUREAU INCURS OVER $30 MILLION ANNUALLY IN UNRECOVERED COSTS TO MANAGE THE GRAZING PROGRAM WHILE PERMIT HOLDERS MAKE PROFITS OF UP TO $5 MILLION ANNUALLY BY SUBLEASING THEIR GRAZING PRIVILEGES. ALSO, WHILE THE MERITS OF PROVIDING FEDERALLY SUBSIDIZED GRAZING PRIVILEGES TO THE SMALL RANCHER HAVE BEEN DEBATED IN

RECENT YEARS, ONE POINT IS CLEAR: THE CURRENT GRAZING PROGRAM HAS PROVIDED SUBSTANTIAL BENEFITS TO WEALTHY RANCH OWNERS POSSESSING LARGE LAND TRACTS, AND IT HAS ALLOWED SOME OWNERS TO PROFIT FURTHER BY ALLOWING THEM TO SUBLEASE THEIR GRAZING PRIVILEGES. THE BUREAU DOES NOT LIMIT THE AMOUNT OF GRAZING BENEFITS PROVIDED TO LARGE RANCHING OPERATIONS OR PRECLUDE FOREIGN-OWNED COMPANIES FROM OBTAINING FEDERALLY SUBSIDIZED GRAZING PRIVILEGES. THE BUREAU HAS ALLOWED DOMESTIC CORPORATE CONGLOMERATES SUCH AS A NATIONAL OIL COMPANY, A NATIONAL LIFE INSURANCE COMPANY, AND A DOMESTIC BREWERY TO OBTAIN GRAZING PRIVILEGES AT LESS THAN THE BUREAU'S COST OF PROVIDING THESE SERVICES. THE BUREAU COULD ALSO HAVE RECOVERED COSTS OF UP TO $8.4 MILLION BY PLACING LIMITS ON THE AMOUNT OF THE GRAZING SUBSIDY PROVIDED TO THE LARGEST 3 PERCENT OF THE APPROXIMATELY 19,000 GRAZING PERMITTEES, WHO CONTROL 35 PERCENT OF THE ACREAGE UNDER PERMIT.

- OTHER DEFICIENCIES IN BUREAU PROGRAMS HAVE CONTRIBUTED TO ACTUAL OR POTENTIAL REVENUE LOSSES IN RECENT YEARS. FOR EXAMPLE, REVENUES OF ALMOST $26 MILLION WERE LOST DURING A RECENT 5-YEAR PERIOD BECAUSE THE BUREAU DID NOT COMPLY WITH STATUTORY REQUIREMENTS TO CHARGE A USER FEE FOR PROCESSING APPLICATIONS FOR GEOPHYSICAL EXPLORATION ON PUBLIC LANDS OR TO CHARGE FAIR MARKET VALUE FOR THE USE OF PUBLIC LANDS FOR GEOPHYSICAL EXPLORATION. REVENUE LOSSES OF OVER $5 MILLION ANNUALLY WILL CONTINUE UNLESS THE REQUIREMENTS FOR FEES AND CHARGES ARE IMPLEMENTED.

- WE REPORTED IN 1989 THAT THE BUREAU WAS NOT ADEQUATELY VERIFYING OIL AND GAS PRODUCTION REPORTED FOR ROYALTY PURPOSES AND THEREFORE DID NOT HAVE ASSURANCE THAT PROPER ROYALTIES WERE BEING PAID TO THE GOVERNMENT. ALTHOUGH THE BUREAU REVISED INSPECTION PROCEDURES TO PROVIDE FOR INCREASED VERIFICATION, OUR 1992 FOLLOWUP REVIEW DISCLOSED THAT THE BUREAU DID NOT MEET ITS REVISED INSPECTION AND ENFORCEMENT STRATEGY FOR 1991.

- IN ADDITION TO REVENUE LOSSES, THE BUREAU'S FAILURE TO PROPERLY PROTECT PUBLIC LANDS HAS RESULTED IN SERIOUS ENVIRONMENTAL DEGRADATION AND A GROWING POTENTIAL LIABILITY TO THE FEDERAL GOVERNMENT TO CORRECT THESE CONDITIONS. SPECIFICALLY, THE BUREAU HAS NOT ENSURED THAT OPERATORS PROPERLY PLUG WELLS NO LONGER CAPABLE OF PRODUCING OIL AND GAS IN ECONOMIC QUANTITIES. BECAUSE SOME OF THE 22,500 INACTIVE WELLS IN THE BUREAU'S INVENTORY ARE OWNED BY COMPANIES THAT ARE NO LONGER IN BUSINESS OR THAT MAY NOT HAVE THE FINANCIAL RESOURCES TO PERFORM THE PLUGGING REQUIREMENTS, THE FEDERAL GOVERNMENT COULD BE PARTIALLY LIABLE FOR A PORTION OF THE MULTIMILLION DOLLAR COST OF PLUGGING THESE WELLS.

- THE BUREAU HAS ALSO FAILED TO ADEQUATELY REGULATE HARDROCK MINING AND LANDFILL OPERATIONS ON PUBLIC LANDS. SPECIFICALLY, HARDROCK MINING OPERATORS HAVE NOT BEEN REQUIRED TO RECLAIM THEIR MINING SITES, AND THEIR BONDS WERE NOT ALWAYS SUFFICIENT TO COVER RECLAMATION COSTS. AS A RESULT, THE FEDERAL GOVERNMENT MAY BE LIABLE FOR RECLAIMING THE MINING SITES, MANY OF WHICH ARE HAZARDOUS AND IN DEGRADED CONDITION. ACCORDING TO ONE ESTIMATE, THE COST TO COMPLETE RECLAMATION OF ABANDONED MINE SITES ON BUREAU AND FOREST SERVICE LANDS IS ABOUT $235 MILLION. IN ADDITION, THE BUREAU TOOK INSUFFICIENT ACTION TO PREVENT OR TERMINATE OVER 1,000 UNAUTHORIZED LANDFILL AND TRASH DISPOSAL SITES ON PUBLIC LAND OR TO LEGITIMIZE THEIR EXISTENCE. ALMOST $8 MILLION HAS ALREADY BEEN SPENT BY THE BUREAU FOR LANDFILL AND DUMP SITE EVALUATIONS AND FOR CONTAINMENT, AND FURTHER COSTS ARE LIKELY. AS A RESULT OF THE BUREAU'S POOR MANAGEMENT AND OVERSIGHT OF THESE ACTIVITIES, THE FEDERAL GOVERNMENT RATHER THAN THE OPERATORS MAY BEAR THE COST OF RECLAIMING ABANDONED WELL AND MINING SITES AND LANDFILL OPERATIONS.

- SINCE THE BUREAU HAS REPEATEDLY CLAIMED THAT IT DOES NOT HAVE SUFFICIENT FINANCIAL AND STAFFING RESOURCES NEEDED TO IMPLEMENT OUR RECOMMENDATIONS FOR IMPROVING PROGRAM

OPERATIONS, WE INITIATED A REVIEW OF THE BUREAU'S ORGANIZATIONAL STRUCTURE AND UTILIZATION OF EXISTING RESOURCES. WE CONCLUDED THAT THE BUREAU'S THREE-TIER FIELD ORGANIZATIONAL STRUCTURE WAS HIGHLY INEFFICIENT AND IMBEDDED WITH REDUNDANCY, WITH OVER HALF THE PERSONNEL RESOURCES AT THE STATE AND DISTRICT OFFICES PERFORMING ADMINISTRATIVE AND DUPLICATE OVERSIGHT ACTIVITIES. WE FURTHER CONCLUDED THAT STAFFING RESOURCES COSTING AS MUCH AS $49 MILLION COULD BE CONVERTED FROM ADMINISTRATIVE SUPPORT AND PROGRAM OVERSIGHT TO PROGRAM OPERATIONS BY CONVERTING STATE ORGANIZATIONS FROM A THREE-TIER TO A TWO-TIER FIELD STRUCTURE AND BY COMBINING OFFICES LOCATED IN THE SAME CITIES.

THE BUREAU INITIALLY DISAGREED, IN THE STRONGEST TERMS, WITH OUR RECOMMENDATION TO REORGANIZE ITS FIELD ORGANIZATION. HOWEVER, THE BUREAU'S DIRECTOR ADVISED THE HOUSE SUBCOMMITTEE ON NATIONAL PARKS AND PUBLIC LANDS IN FEBRUARY 1992 THAT HE WAS IN FAVOR OF REORGANIZING THE BUREAU INTO A TWO-LEVEL FIELD ORGANIZATION, AN ACTION THAT WOULD HAVE ADEQUATELY IMPLEMENTED OUR RECOMMENDATIONS. ALTHOUGH THE BUREAU INITIATED PLANS TO IMPLEMENT OUR CHANGES, SUBSEQUENT EVENTS RAISE QUESTIONS AS TO WHETHER THE BUREAU ACTUALLY INTENDS TO ACHIEVE THIS REORGANIZATION. IN SEPTEMBER 1992, BUREAU OFFICIALS STATED THAT THEY WERE NOT PROCEEDING WITH PLANS TO REORGANIZE BUT INSTEAD WERE PLANNING TO "ANALYZE" THE BUREAU'S EXISTING OPERATIONS TO DETERMINE WHETHER DUPLICATION OF EFFORT CAN BE REDUCED AND OPERATIONS CAN BE STREAMLINED. AT THE CONCLUSION OF ITS STUDY, THE BUREAU PURPORTEDLY WILL DETERMINE THE BEST ORGANIZATIONAL STRUCTURE TO MEET ITS PROGRAM NEEDS. THUS IT APPEARS THAT THE BUREAU'S REVISED PLANS ARE AN ATTEMPT TO MAINTAIN THE EXISTING INEFFICIENT THREE-TIER ORGANIZATIONAL STRUCTURE RATHER THAN TO PROCEED WITH THE REORGANIZATION ORIGINALLY SUPPORTED BY THE DIRECTOR.

MINERALS MANAGEMENT SERVICE

ALTHOUGH OUR AUDITS OVER THE PAST 10 YEARS HAVE SHOWN THAT THE MINERALS MANAGEMENT SERVICE HAS MADE STEADY PROGRESS IN IMPROVING ITS ROYALTY MANAGEMENT PROGRAM, SIGNIFICANT DEFICIENCIES STILL EXIST IN THE AREAS OF AUDIT COVERAGE AND PRODUCT VALUATION CRITERIA.

- REGARDING AUDIT COVERAGE, THE SERVICE, IN RESPONSE TO OUR EARLIER CONCERNS, DEVELOPED A COMPREHENSIVE STRATEGY TO PROVIDE AUDIT COVERAGE OF OVER 90 PERCENT OF FEDERAL AND INDIAN ROYALTY REVENUES. HOWEVER, WE REPORTED IN SEPTEMBER 1992 THAT THE SERVICE'S AUDIT COVERAGE WAS INADEQUATE AND THAT THE SERVICE DID NOT HAVE ADEQUATE ASSURANCE THAT SIGNIFICANT UNDERPAYMENTS WERE IDENTIFIED ON THE $4.8 BILLION IN ROYALTIES PAID BY FIVE COMPANIES DURING FISCAL YEARS 1981 THROUGH 1983. THIS RAISES THE CONCERN THAT THE SERVICE'S AUDIT COVERAGE AT OTHER COMPANIES MAY HAVE BEEN INADEQUATE FOR THE SAME PERIOD, WHICH WAS ONE OF THE MOST FERTILE PERIODS FOR RECOVERING ROYALTY UNDERPAYMENTS. HOWEVER, THIS 3-YEAR PERIOD NOW APPEARS TO BE CLOSED TO ALL FURTHER AUDIT ACTIVITY BECAUSE OF STATUTE-OF-LIMITATION RESTRICTIONS, AND ANY UNIDENTIFIED ROYALTY UNDERPAYMENTS DURING THAT PERIOD NOW APPEAR TO BE LOST TO THE GOVERNMENT.

- IN ANOTHER ISSUE, THE SERVICE FAILED TO COLLECT A SUBSTANTIAL AMOUNT OF ROYALTIES BECAUSE IT HAD NOT ACTED PROMPTLY TO ADDRESS THE ISSUE OF WHETHER COMPANIES ARE REQUIRED TO PAY ROYALTIES ON PROCEEDS RELATING TO GAS PURCHASE CONTRACT SETTLEMENTS. UNDER THESE SETTLEMENT AGREEMENTS, LESSEES RECEIVED PAYMENTS OF OVER $3.5 BILLION FROM GAS PURCHASERS IN RETURN FOR AMENDING SUCH CONTRACTS TO LOWER GAS PRICES AND VOLUME REQUIREMENTS (BUYDOWNS) AND OF OVER $1.1 BILLION FOR TERMINATING CONTRACTS (BUYOUTS). NO SPECIFIC GUIDANCE EXISTED FOR THE CALCULATION OF ROYALTIES DUE ON ANY PORTION OF THIS $4.6 BILLION RECEIVED BY LESSEES UNDER THESE

SETTLEMENTS WITH THE GAS PURCHASERS. WE CALCULATED THAT ADDITIONAL ROYALTIES OF UP TO $754 MILLION COULD BE COLLECTED THROUGH SUCCESSFUL RESOLUTION OF THIS ISSUE. IN RESPONSE TO OUR AUDIT, THE SERVICE FINALLY ISSUED GENERAL GUIDANCE ON THE CALCULATION OF ROYALTIES IN MARCH 1992 AND HAS SINCE BEEN IN THE PROCESS OF PREPARING IN-DEPTH GUIDANCE TO ITS ROYALTY PAYOR AUDIT STAFF. HOWEVER, RECENT DEPARTMENTAL INTERVENTION BY THE ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET RAISES SERIOUS QUESTIONS AS TO WHETHER THE SERVICE WILL BE ABLE TO COLLECT ANY ADDITIONAL ROYALTIES IN THE FORESEEABLE FUTURE ON THIS ISSUE.

OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

THE OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT IS UNFORTUNATELY FACED WITH A SITUATION WHERE PERFORMANCE OF ITS MISSION IS COSTLY BUT WHERE FAILURE TO PERFORM IS EVEN COSTLIER. SURFACE MINING'S PRIMARY RESPONSIBILITY IS TO PROTECT SOCIETY AND THE ENVIRONMENT FROM THE ADVERSE SURFACE EFFECTS OF PAST AND CURRENT COAL MINING OPERATIONS. HOWEVER, SURFACE MINING HAS NOT DEVELOPED OR PROVIDED THE CONGRESS WITH INFORMATION ON FUNDING LEVELS NECESSARY TO RECLAIM HIGH PRIORITY PROBLEM AREAS WITHIN SPECIFIED TIME FRAMES SO THAT THE CONGRESS CAN MAKE INFORMED DECISIONS ON THE NEED FOR LEGISLATIVE CHANGES. WHILE SURFACE MINING HAS MADE SOME PROGRESS IN IMPROVING ITS PROGRAM FOR REGULATING CURRENT COAL MINING OPERATIONS, IT HAS MADE ONLY LIMITED PROGRESS IN RECLAIMING ABANDONED COAL AND NONCOAL MINING SITES BECAUSE OF FUNDING AND LEGISLATIVE CONSTRAINTS. SINCE 1977, ONLY 2 PERCENT OF ABANDONED COAL MINE SITES INVOLVING HEALTH AND SAFETY AND ENVIRONMENTAL HAZARDS HAVE BEEN RECLAIMED, BUT VIRTUALLY NO NONCOAL MINE SITE RECLAMATION HAS BEEN ACCOMPLISHED. SINCE THAT TIME, AT LEAST 166 DEATHS HAVE OCCURRED FROM ACCIDENTS AT UNRECLAIMED SITES. THE ESTIMATED COST TO CORRECT KNOWN SITES WITH HEALTH AND SAFETY AND ENVIRONMENTAL HAZARD CONDITIONS IS $60 BILLION FOR COAL SITES AND ABOUT $11 BILLION FOR NONCOAL SITES.

SURFACE MINING AND THE DEPARTMENT HAVE BEEN RELUCTANT TO INITIATE THE LEGISLATIVE CHANGES NEEDED TO IMPROVE THE RECLAMATION PROGRAM. LEGISLATIVE CONSTRAINTS HAVE SUBSTANTIALLY LIMITED THE FUNDING AVAILABLE FOR RECLAIMING COAL MINE SITES AND HAVE INHIBITED SURFACE MINING FROM ADDRESSING THE MOST SERIOUS RECLAMATION PROBLEMS ON A NATIONWIDE BASIS. FOR EXAMPLE, THE FUNDING FORMULA PRESCRIBED BY LAW RESULTS IN SOME STATES WITH LESS SEVERE RECLAMATION PROBLEMS RECEIVING DISPROPORTIONATELY MORE FUNDING THAN STATES WITH A BACKLOG OF UNFUNDED PROJECTS INVOLVING SERIOUS HEALTH AND SAFETY AND ENVIRONMENTAL HAZARDS. PROGRESS IN RECLAIMING NONCOAL SITES HAS BEEN LIMITED BECAUSE A RECLAMATION FUNDING SOURCE SPECIFICALLY FOR NONCOAL RECLAMATION WAS NEVER ESTABLISHED BY THE CONGRESS AND THE CURRENT LAW LIMITS THE USE OF PROGRAM FUNDS FOR NONCOAL RECLAMATION. FURTHERMORE, THE LACK OF COMPREHENSIVE FEDERAL RESPONSIBILITY FOR REGULATING OR MONITORING NONCOAL MINING ACTIVITIES HAS CONTRIBUTED TO THE INCREASE OF NONCOAL SITES NEEDING RECLAMATION. SURFACE MINING DISAGREED WITH ALL THE RECOMMENDATIONS WE MADE IN RECENT AUDIT REPORTS CONCERNING LEGISLATIVE CHANGES AND ANNUAL APPROPRIATIONS REQUESTS, CITING THE EXCUSE THAT THE CONGRESS WAS ALREADY AWARE OF THE EXTENT OF THE RECLAMATION PROBLEMS AND THAT SURFACE MINING'S ROLE WAS NOT TO MAKE LEGISLATIVE POLICY DECISIONS FOR THE CONGRESS. WE DO NOT AGREE WITH SURFACE MINING AND BELIEVE THAT IT SHOULD TAKE AN ACTIVE ROLE IN KEEPING THE CONGRESS INFORMED OF THE NATION'S SERIOUS RECLAMATION PROBLEMS.

NATIONAL PARK SERVICE

MUCH LIKE SURFACE MINING, THE NATIONAL PARK SERVICE HAS FAILED TO REQUEST THE TRUE AMOUNT OF FUNDING NEEDED FOR ITS MISSION: THE OPERATION AND MAINTENANCE OF THE NATIONAL PARK SYSTEM.

- FOR EXAMPLE, CONTINUED FUNDING SHORTAGES AND FACTORS SUCH AS THE ADDITION OF NEW PARK AREAS AND INCREASED PARK

VISITATION HAVE CONTRIBUTED TO MAJOR DEFICIENCIES IN THE MAINTENANCE OF PARK FACILITIES. THE PARK SERVICE'S FISCAL YEAR 1991 TOTAL OPERATIONS APPROPRIATION REQUEST TOTALED $831 MILLION, INCLUDING ABOUT $306 MILLION FOR MAINTENANCE. HOWEVER, PARK SERVICE REGIONAL OFFICES ESTIMATED THAT AN ADDITIONAL $406 MILLION WAS ACTUALLY NEEDED TO ADEQUATELY OPERATE AND MAINTAIN THE NATIONAL PARK SYSTEM IN FISCAL YEAR 1991. FURTHER, THE ADDITION OF NEW PARK AREAS (FROM 1980 TO 1990 THE SYSTEM GREW FROM 327 TO 357 AREAS) AND INCREASED VISITATION (FROM 300 MILLION TO 330 MILLION VISITORS) DURING THE SAME PERIOD INCREASED THE NEED FOR ADDITIONAL MAINTENANCE FUNDS AT A TIME WHEN THE PARK SERVICE IS EXPERIENCING FUNDING SHORTFALLS. MANY FACILITIES DO NOT RECEIVE ADEQUATE PREVENTIVE MAINTENANCE ON A CYCLICAL BASIS AND EVENTUALLY BECOME MORE EXPENSIVE REPAIR OR REHABILITATION PROJECTS. THESE PROJECTS IN TURN BECOME EXPENSIVE MAJOR REHABILITATION OR RECONSTRUCTION PROJECTS IF NOT FUNDED AND COMPLETED. FOR EXAMPLE, ONE THIRD OF THE NATIONAL PARK SYSTEM'S PRIMARY PAVED ROADS ARE IN POOR OR FAILED CONDITION AND WILL REQUIRE ABOUT $1.8 BILLION FOR NEEDED REPAIRS. THE $60 MILLION THAT THE PARK SERVICE RECEIVES ANNUALLY IN HIGHWAY PROGRAM CONSTRUCTION APPROPRIATION FUNDING IS NOT SUFFICIENT TO PRECLUDE FURTHER DETERIORATION OF THE ROADS.

- IN ANOTHER AREA, PARK SERVICE MANAGERS HAVE NOT ADEQUATELY ADDRESSED DEFICIENCIES IN NATURAL RESOURCE PROGRAMS. THE PARK SERVICE CURRENTLY HAS A BACKLOG OF 4,700 NATURAL RESOURCE PROJECTS, WITH AN ESTIMATED PRICE TAG OF ABOUT $500 MILLION, THAT NEED TO BE COMPLETED IN ORDER TO PREVENT OR MITIGATE KNOWN THREATS TO NATURAL RESOURCES. ALTHOUGH ITS BUDGETARY PROCESS ALLOWS THE PARK SERVICE TO ALLOCATE OR REALLOCATE SUFFICIENT FUNDS TO PROGRAM AREAS OF SPECIFIC PARKS IN NEED OF FUNDING, MANAGERS HAVE GENERALLY CHOSEN TO ALLOCATE MORE OF THE AVAILABLE FUNDING TO PROGRAMS THAT WERE NOT RELATED TO PREVENTING DEFICIENCIES IN NATURAL RESOURCES. FOR EXAMPLE, FROM FISCAL YEARS 1983 THROUGH 1991, FUNDING FOR NATURAL RESOURCES TOTALED $515 MILLION AND

ANNUALLY AVERAGED ABOUT 8 PERCENT OF THE PARK SERVICE'S OPERATING BUDGET, WHILE $5.8 BILLION, OR 92 PERCENT, WAS DEVOTED PRIMARILY TO VISITOR-ORIENTED PROGRAMS. FUNDING FOR NATURAL RESOURCES WOULD NEED TO BE TWO TO THREE TIMES THE CURRENT LEVEL TO ADEQUATELY MEET CURRENT NEEDS. AS A RESULT OF THIS INADEQUATE FUNDING, SERIOUS DEGRADATION OF SOME PARKS' NATURAL RESOURCES HAS OCCURRED, AND THE LONG-TERM EFFECT IS A REDUCTION IN THE NATURAL VALUE AND ATTRACTION OF THE PARKS TO FUTURE GENERATIONS.

- DESPITE ITS NEED FOR INCREASED FUNDING, FOR OVER 25 YEARS THE PARK SERVICE HAS SUBJECTIVELY NEGOTIATED UNREASONABLY LOW FRANCHISE FEES WITH CONCESSIONERS THAT OPERATED IN THE NATIONAL PARKS. AS A RESULT, CONCESSIONERS HAVE REAPED WINDFALL PROFITS AT THE EXPENSE OF THE TAXPAYERS. WE ESTIMATED THAT IF REASONABLE FEES HAD BEEN NEGOTIATED, THE PARK SERVICE WOULD HAVE RECEIVED AS MUCH AS $83 MILLION IN ADDITIONAL FEES FROM 1984 THROUGH 1988. THE ADDITIONAL FEES NOT RECEIVED WILL INCREASE TO ABOUT $21.8 MILLION ANNUALLY DURING 1993. ONE REASON FOR THE INADEQUATE FEES WAS THAT PARK SERVICE FIELD PERSONNEL REDUCED THE FEES IN SOME CASES IN EXCHANGE FOR CONCESSIONERS' AGREEMENTS TO UNDERTAKE MAJOR CAPITAL IMPROVEMENTS IN THE PARKS. HOWEVER, THESE IMPROVEMENTS GENERALLY BENEFITED THE CONCESSIONERS' FACILITIES RATHER THAN THE PARKS, AND THE PARK SERVICE DID NOT HAVE MECHANISMS TO DETERMINE WHETHER THE GOVERNMENT RECEIVED AN EQUITABLE RETURN FOR THE REDUCED FEES.

IN RESPONSE TO CONCERNS RAISED BY OUR AUDITS, THE SECRETARY OF THE INTERIOR REQUESTED THAT THE PARK SERVICE DEVELOP A WORK PLAN FOR IMPROVING THE CONCESSIONS MANAGEMENT PROGRAM. THE SECRETARY STATED THAT THE PLAN SHOULD ADDRESS FIVE PRINCIPLES: TO PROTECT PARK NATURAL AND HISTORICAL RESOURCES ABOVE ALL OTHER GOALS; TO PROVIDE QUALITY VISITOR SERVICES AT REASONABLE COSTS; TO PROVIDE CONCESSIONERS WITH A REASONABLE OPPORTUNITY FOR PROFIT; TO PROVIDE A FAIR RETURN OF FEES, INVESTMENTS, AND SERVICES TO THE GOVERNMENT; AND TO PROMOTE COMPETITION IN

CONCESSION CONTRACTING. ALTHOUGH SOME PROGRESS HAS BEEN MADE, THE PARK SERVICE HAS BEEN SLOW TO IMPLEMENT THE SECRETARY'S PLAN.

- BESIDES UNREASONABLY LOW FRANCHISE FEES, CONCESSIONERS ALSO BENEFITED FROM GOVERNMENT-SUBSIDIZED CAPITAL INVESTMENTS IN UTILITY SYSTEMS. WE FOUND THAT THE PARK SERVICE WAS NOT ADEQUATELY PURSUING THE COST RECOVERY OF CAPITAL INVESTMENTS BECAUSE IT DID NOT CONSIDER THE COSTS OF SUCH INVESTMENTS IN SETTING UTILITY RATES. WE ESTIMATED THAT AT LEAST $71 MILLION MAY NOT BE RECOVERED FROM CONCESSIONERS AND INHOLDERS AT NATIONAL PARKS AND OTHER SITES. AS A RESULT OF OUR AUDIT, THE PARK SERVICE HAS AGREED TO REVISE ITS GUIDELINES AND TO REQUIRE CONCESSIONERS TO PAY A SHARE OF CAPITAL INVESTMENTS.

- THE PARK SERVICE HAS NOT INVESTED SUFFICIENT FUNDS OR NUMBERS OF STAFF TO MAXIMIZE COLLECTION OF RECREATION FEES AT PARKS WITH AN ENTRANCE FEE PROGRAM, NOR HAS IT INITIATED FEE PROGRAMS AT ALL PARKS AUTHORIZED TO COLLECT ENTRANCE FEES. (LEGISLATIVE AND OTHER RESTRICTIONS PREVENTED THE PARK SERVICE FROM COLLECTING ENTRANCE AND RECREATION FEES AT SOME PARKS.) THE PARK SERVICE COLLECTED ONLY $40 MILLION IN ENTRANCE FEES DURING FISCAL YEAR 1991; HOWEVER, WE ESTIMATED THAT AN ADDITIONAL $117 MILLION IN RECREATION ENTRANCE FEES COULD HAVE BEEN COLLECTED DURING FISCAL YEAR 1991 IF THE PARK SERVICE HAD BEEN MORE AGGRESSIVE IN COLLECTING FEES AT THE PARKS WITH AN ENTRANCE FEE PROGRAM AND HAD ESTABLISHED COLLECTION PROGRAMS AT OTHER PARKS THAT WERE AUTHORIZED TO COLLECT RECREATION FEES. THE PARK SERVICE ALSO COULD HAVE COLLECTED ABOUT $151 MILLION MORE IN FEES IF LEGISLATIVE AND OTHER RESTRICTIONS WERE REMOVED.

U.S. FISH AND WILDLIFE SERVICE

THE U.S. FISH AND WILDLIFE SERVICE IS ALSO FACED WITH FUNDING PROBLEMS SIMILAR TO THOSE AT THE PARK SERVICE. UNFORTUNATELY,

THE INABILITY OF THE FISH AND WILDLIFE SERVICE TO PERFORM ITS MISSION AS IT RELATES TO THE ENDANGERED SPECIES PROGRAM WILL RESULT IN AN IRREVERSIBLE CONDITION: THE EXTINCTION OF CERTAIN ANIMAL AND PLANT SPECIES. THE FISH AND WILDLIFE SERVICE HAS NOT EFFECTIVELY IMPLEMENTED A DOMESTIC ENDANGERED SPECIES PROGRAM, AND IT IS QUESTIONABLE THAT ACCOMPLISHMENT OF THE PROGRAM AS IT IS PRESENTLY STRUCTURED AND FUNDED IS FEASIBLE. MANY SPECIES CURRENTLY LISTED FOR PROTECTION UNDER THE ENDANGERED SPECIES ACT OF 1973 ARE IN DANGER OF EXTINCTION BECAUSE THE FISH AND WILDLIFE SERVICE HAS NOT DEVELOPED RESOURCE RECOVERY PLANS FOR THESE PLANTS AND ANIMALS. RECOVERY PLANS WERE NOT DEVELOPED PRINCIPALLY BECAUSE OF LACK OF RESOURCES. THE ESTIMATE TO RECOVER ALL PRESENTLY KNOWN ENDANGERED SPECIES COULD BE AS HIGH AS $4.6 BILLION; HOWEVER, THIS ESTIMATE DOES NOT INCLUDE RECOVERY COSTS FOR ABOUT 3,600 SPECIES NOT YET OFFICIALLY LISTED AS ENDANGERED BUT WHICH HAVE BEEN IDENTIFIED AS MERITING PROTECTION. CURRENTLY, ANNUAL RESOURCES OF ONLY $8.4 MILLION ARE AVAILABLE FOR ALL RECOVERIES. FURTHER, CANDIDATE SPECIES FOR LISTING ARE SIMILARLY IN JEOPARDY OF EXTINCTION BECAUSE THE SERVICE HAS NOT MADE TIMELY PROGRESS IN OFFICIALLY LISTING AND PROTECTING THEM. DURING THE LAST 10 YEARS, AT LEAST 34 ANIMAL AND PLANT SPECIES HAVE BEEN DETERMINED TO BE EXTINCT WITHOUT EVER HAVING RECEIVED FULL BENEFIT OF THE ACT'S PROTECTION.

BUREAU OF INDIAN AFFAIRS

THE BUREAU OF INDIAN AFFAIRS IS ONE ORGANIZATION WHERE ADDITIONAL FUNDING WOULD PROBABLY NOT EFFECT SIGNIFICANT IMPROVEMENTS. THIS IS BECAUSE HISTORICALLY THE BUREAU HAS LACKED THE NEEDED EXPERTISE, SYSTEMS, AND INDEPENDENCE TO EFFECTIVELY MANAGE THE DIVERSE ARRAY OF INDIAN PROGRAMS LEGISLATED BY THE CONGRESS. THE SEVERITY OF THESE DEFICIENCIES LED THE OFFICE OF MANAGEMENT AND BUDGET IN 1989 TO IDENTIFY THE BUREAU AS A "HIGH RISK" AREA REQUIRING THE PERSONAL ATTENTION OF THE SECRETARY AND THE CONGRESS.

THE "HIGH RISK" CLASSIFICATION CAME AS NO SURPRISE TO US, AS WE HAD BEEN FOREWARNING DEPARTMENTAL OFFICIALS OF THE PREVALENCE AND SEVERITY OF THE BUREAU'S MANAGEMENT DEFICIENCIES FOR SOME TIME. OUR AUDITS FROM 1967 THROUGH 1985 FOUND THAT DESPITE REPEATED ASSURANCES FROM BUREAU OFFICIALS THAT CORRECTIVE ACTIONS WOULD BE INITIATED, THE SAME PROBLEMS RECURRED. ALTHOUGH SOME IMPROVEMENTS HAVE BEEN MADE AS A RESULT OF THE INCREASED ATTENTION FROM THE OFFICE OF MANAGEMENT AND BUDGET AND THE CONGRESS, RECENT AUDIT REPORTS HAVE SHOWN THAT THE BUREAU STILL CANNOT DELIVER QUALITY SERVICE AND ASSISTANCE TO INDIAN TRIBES AND INDIVIDUAL INDIANS IN MANY AREAS.

- FOR EXAMPLE, THE BUREAU HAS FAILED TO PROVIDE DECENT, SAFE, AND SANITARY HOUSING FOR MANY INDIANS ELIGIBLE FOR SUCH ASSISTANCE. HOWEVER, IT HAS PROVIDED FINANCIAL ASSISTANCE TO OTHER INDIANS INELIGIBLE FOR SUCH ASSISTANCE OR TO INDIANS WHOSE ELIGIBILITY HAD NOT BEEN ESTABLISHED. FOR EXAMPLE, THE SOUTHERN PUEBLOS AGENCY PROVIDED ABOUT $9,200 IN IMPROVEMENTS TO A HOUSE, EVEN THOUGH THE APPLICANT AND HIS WIFE HAD AN ANNUAL INCOME OF ABOUT $43,000 TO SUPPORT A FAMILY OF FOUR. IN ANOTHER EXAMPLE, THE SOUTHERN CALIFORNIA AGENCY PROVIDED ABOUT $20,000 IN IMPROVEMENTS TO A HOUSE THAT WAS RENTED AND INHABITED BY THE APPLICANT. THE APPLICANT, HOWEVER, DID NOT HAVE A WRITTEN OCCUPANCY AGREEMENT WITH THE OWNER, AND AFTER THE IMPROVEMENTS WERE COMPLETED, THE HOMEOWNER EVICTED THE APPLICANT AND RENTED THE HOUSE TO OTHER INDIVIDUALS. CONVERSELY, WE IDENTIFIED AN UNFUNDED APPLICANT ON THE PECHANGA RESERVATION WHO WAS LIVING IN SUBSTANDARD CONDITIONS WITH HIS SPOUSE AND A TEENAGER IN AN UNFINISHED 1-BEDROOM HOUSE. THE HOUSE WAS MISSING SOME EXTERIOR WALLS AND PORTIONS OF THE ROOF, AND THE TEENAGER SLEPT IN A SMALL CAMPING TRAILER IN THE BACKYARD. DESPITE NEEDS THAT SHOULD HAVE MADE THIS A HIGH PRIORITY PROJECT, FUNDING HAS NOT BEEN PROVIDED.

- MISMANAGEMENT OF ITS FINANCIAL RESPONSIBILITIES IS REPRESENTATIVE OF THE BUREAU'S LONG-STANDING MANAGEMENT

PROBLEMS. SINCE 1967, WE HAVE ISSUED OVER 150 REPORTS DEALING WITH ACCOUNTING AND FINANCIAL MANAGEMENT DEFICIENCIES AT BOTH THE BUREAU AND TRIBAL LEVEL, DEFICIENCIES THAT HAVE ADVERSELY AFFECTED THE OPERATION OF BUREAU PROGRAMS AND THE LIVES OF NATIVE AMERICANS. OVER 30 OF THESE REPORTS HAVE DEALT WITH PROBLEMS IN TRUST FUND ACCOUNTING, SUCH AS THE BUREAU'S INABILITY TO PRODUCE RELIABLE FINANCIAL REPORTS AND TO ACCURATELY ACCOUNT FOR ALMOST $1.7 BILLION OF TRUST FUNDS BELONGING TO INDIVIDUAL INDIANS AND INDIAN TRIBES AND APPROXIMATELY $1.4 BILLION OF APPROPRIATED FUNDS DESIGNATED FOR THE OPERATION OF INDIAN PROGRAMS. IN A MARCH 1991 REPORT ON THE BUREAU'S ACCOUNTING FOR APPROPRIATED FUNDS, WE CONCLUDED THAT WEAKNESSES IN THE SYSTEM WERE SO PERVASIVE THAT REPORTED INFORMATION WAS TOTALLY UNRELIABLE. THE OFFICE OF MANAGEMENT AND BUDGET REPORTED A $95 MILLION DISCREPANCY AS A RESULT OF THE PRELIMINARY RESOLUTION OF FISCAL YEAR 1990 ACCOUNTS. THIS LACK OF CONTROL CREATED AMPLE OPPORTUNITY FOR POTENTIALLY FRAUDULENT TRANSACTIONS TO BE ENTERED VIRTUALLY ANYWHERE IN THE SYSTEM.

IN 1991, THE DEPARTMENT, IN COOPERATION WITH THE OFFICE OF MANAGEMENT AND BUDGET AND BUREAU MANAGEMENT, ESTABLISHED A MULTIDISCIPLINARY PROJECT TEAM TO WORK WITH THE BUREAU IN IMPLEMENTING PLANNED FINANCIAL MANAGEMENT IMPROVEMENTS, INCLUDING CONVERTING THE BUREAU'S ACCOUNTING SYSTEM TO THE FEDERAL FINANCIAL SYSTEM. IN A RECENT REVIEW OF THE PROJECT TEAM'S WORK, WE CONCLUDED THAT WHILE THE PROJECT TEAM HAS INITIATED SIGNIFICANT IMPROVEMENTS TO THE ACCOUNTING SYSTEM, THE BUREAU WILL NOT BE CAPABLE OF MAINTAINING THE SYSTEM IN AN EFFECTIVE MANNER WHEN THE PROJECT TEAM DEPARTS, MAINLY BECAUSE BUREAU PERSONNEL HAVE NOT BEEN TRAINED TO OPERATE THE FEDERAL FINANCIAL SYSTEM EFFECTIVELY.

- ANOTHER CRITICAL AREA IN WHICH THE BUREAU HAS PERFORMED POORLY IS IN THE MANAGEMENT OF NATURAL RESOURCES, WHICH HAS RESULTED NOT ONLY IN NEEDED SERVICES NOT BEING DELIVERED BUT

ALSO IN THE LOSS OF INCOME TO INDIVIDUAL INDIANS. FOR EXAMPLE, THE BUREAU ADMINISTERS APPROXIMATELY 16 MILLION ACRES OF FOREST LANDS, INCLUDING 5.7 MILLION ACRES CLASSIFIED AS COMMERCIAL TIMBERLAND. FOREST PRODUCTS HARVESTED FROM THESE LANDS IN FISCAL YEAR 1989 INCLUDED 878 MILLION BOARD FEET OF TIMBER, WHICH GENERATED ABOUT $83 MILLION IN REVENUE. HOWEVER, THE BUREAU'S INABILITY TO OFFER FOR SALE THE FULL ANNUAL ALLOWABLE CUT, TO REDUCE FOREST DEVELOPMENT BACKLOGS, AND TO EFFECTIVELY COLLECT FEES COULD RESULT IN THE LOSS OF $143 MILLION OF POTENTIAL ADDITIONAL REVENUES FOR INDIAN LANDOWNERS.

- THE FUTURE OF NATIVE AMERICANS IS ALSO BEING ADVERSELY AFFECTED BY THE BUREAU'S INABILITY TO PROVIDE QUALITY EDUCATIONAL OPPORTUNITIES NEEDED BY INDIAN CHILDREN. TO FULFILL THE CONGRESS' OBJECTIVE OF PROVIDING QUALITY EDUCATIONS TO INDIAN CHILDREN, THE CONGRESS PROVIDED THE BUREAU WITH A BLUEPRINT FOR ATTAINING THIS GOAL IN ITS ELEMENTARY AND SECONDARY SCHOOL SYSTEM BY ENACTING THE EDUCATION AMENDMENTS OF 1978. IN 1991, WE FOUND THAT THE BUREAU HAD NOT EFFECTIVELY IMPLEMENTED 10 OF THE ACT'S 17 PRINCIPAL PROVISIONS FOR QUALITY EDUCATION. THE RESULT OF THIS POOR RECORD OF IMPLEMENTATION IS REFLECTED BY THE RESULTS OF INDIAN CHILDREN ON STANDARDIZED ACHIEVEMENT TESTS: JUST 2 OF THE 153 BUREAU-FUNDED SCHOOLS HAD CLASSES AVERAGING IN THE 50TH PERCENTILE OR ABOVE. WE ALSO NOTED DEFICIENCIES IN THE DEVELOPMENT OF ACADEMIC STANDARDS AND MANAGEMENT INFORMATION SYSTEMS, IN THE ALLOCATION OF FUNDING, IN THE BUREAU'S CONSULTATIONS WITH TRIBES, AND IN THE EDUCATIONAL FACILITIES.

FAILURE OF THE BUREAU TO PROVIDE QUALITY EDUCATION IS MOST VISIBLY EVIDENT IN ITS INABILITY TO PROVIDE INDIAN CHILDREN WITH EDUCATIONAL FACILITIES THAT ARE SAFE, HEALTHY, AND CONDUCIVE TO A QUALITY EDUCATION. IN MANY INSTANCES, INDIAN SCHOOL FACILITIES ARE DEPLORABLE. THEY ARE OFTEN STRUCTURALLY UNSOUND, IN DISREPAIR, AND POORLY MAINTAINED. CURRENTLY, THOUSANDS OF STUDENTS, TEACHERS, AND OTHER GOVERNMENT AND CONTRACT

EMPLOYEES CURRENTLY LIVE AND WORK IN BUILDINGS THAT FEDERAL INSPECTORS AND BUREAU SAFETY OFFICERS HAVE CLASSIFIED AS UNSAFE AND UNSANITARY.

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

MUCH LIKE THE BUREAU OF INDIAN AFFAIRS, INCREASED FUNDING IS NOT LIKELY TO HAVE AN IMPACT ON CORRECTING WEAKNESSES AND DEFICIENCIES WITHIN THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS AND THE INSULAR GOVERNMENTS. INEFFECTIVE OVERSIGHT BY THE OFFICE AND DEEP-SEATED UNRESOLVED PROBLEMS IN FINANCIAL MANAGEMENT AND PROGRAM ADMINISTRATION BY INSULAR GOVERNMENTS HAVE RESULTED IN SUBSTANTIAL INEFFICIENCIES IN THE OPERATIONS OF THE GOVERNMENTS AND IN A SIGNIFICANT WASTE OF FEDERAL AND LOCAL FUNDS. WE HAVE ISSUED HUNDREDS OF AUDITS THAT IDENTIFIED OVER $400 MILLION IN LOST OR POTENTIAL ADDITIONAL REVENUES, FUNDS TO BE PUT TO BETTER USE, OR QUESTIONABLE COSTS. THESE AUDITS CONTAINED OVER ONE THOUSAND RECOMMENDATIONS FOR IMPROVEMENTS; YET PROBLEMS NOT ONLY CONTINUE BUT WORSEN. THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS LACKS WRITTEN PROCEDURES SPECIFYING THE DEGREE OF PROGRAM OVERSIGHT NECESSARY, AND IT DOES NOT HAVE SUFFICIENT STAFF AND/OR EXPERTISE TO MANAGE ONGOING PROJECTS. AS A RESULT, MANY INSULAR GOVERNMENT FUNCTIONS AND PROGRAMS ARE MANAGED, CONTROLLED, AND CONDUCTED POORLY, RESULTING IN WASTE AND THEFT OF FUNDS.

- THE GOVERNMENT OF GUAM DID NOT EFFECTIVELY PLAN, DESIGN, OR CONTROL IN-HOUSE ROAD CONSTRUCTION PROJECTS. THE GOVERNMENT ALSO TOOK OR RESERVED FOR ITS OWN USE AS ROAD RIGHTS-OF-WAY ALMOST 310 ACRES OF PRIVATE PROPERTY WITHOUT LEGAL DUE PROCESS AND WITHOUT COMPENSATING LANDOWNERS. EXCESS COSTS OF ABOUT $1.1 MILLION, PARTIALLY FEDERAL FUNDS, WERE PAID FOR ROAD RIGHTS-OF-WAY ACQUISITION, AND EXCESS COSTS OF $73.3 MILLION MAY HAVE TO BE PAID FOR ROAD RIGHTS-OF-WAY ACQUISITIONS. IN ADDITION, GOODS AND SERVICES TOTALING $640,000

WERE PROCURED WITHOUT AUTHORITY, AND $1.6 MILLION WAS SPENT ON GOODS AND SERVICES WITHOUT ASSURANCE THAT FULL VALUE WAS RECEIVED. AS A RESULT, OVER $3 MILLION WAS SPENT ON ROAD PROJECTS THAT WERE DESIGNED INADEQUATELY, WERE WASTEFUL, OR WERE OF LITTLE VALUE TO GUAM RESIDENTS.

- IN THE AREA OF GRANT ADMINISTRATION, THE U.S. VIRGIN ISLANDS DID NOT EXERCISE ADEQUATE PROCUREMENT AND CONTRACT OVERSIGHT TO ENSURE THAT A PROJECT TO CONSTRUCT TWO DETENTION CENTERS WAS SUCCESSFULLY COMPLETED. AS A RESULT, THE VIRGIN ISLANDS SPENT $644,000 FOR TWO USELESS CONCRETE SLABS AND CISTERNS, ABANDONED THE PROJECT, AND REFUNDED FEDERAL GRANT FUNDS TO THE U.S. TREASURY.

- THE GOVERNMENT OF AMERICAN SAMOA SPENT $1 MILLION AND BUDGETED AN ADDITIONAL $700,000 FOR A CELLULAR TELEPHONE SYSTEM WITHOUT EVALUATING THE COSTS OR NEED FOR CELLULAR TELEPHONES ON A SMALL ISLAND. THE ISLAND WHERE THE TELEPHONE SYSTEM IS LOCATED HAS A POPULATION OF 30,000 AND LAND AREA OF 59 SQUARE MILES, MAKING IT DOUBTFUL THAT THERE IS A REAL MARKET FOR THE SYSTEM. ALSO, A POTENTIAL CONFLICT OF INTEREST EXISTED BETWEEN SAMOA'S DIRECTOR OF COMMUNICATIONS AND THE FIRM CONTRACTED WITH, SINCE THAT FIRM IS OWNED BY THE WIFE AND THREE SONS OF THE DIRECTOR. ALTHOUGH WE RECOMMENDED AGAINST ACQUISITION OF THE SYSTEM, AMERICAN SAMOA PURCHASED IT ANYWAY.

- THE MARIANA ISLANDS HOUSING AUTHORITY NONCOMPETITIVELY AWARDED A $15 MILLION TO $25 MILLION CONTRACT FOR HOUSING CONSTRUCTION. IN ADDITION, THE HOUSING AUTHORITY ADVANCED THE CONTRACTOR $10 MILLION PRIOR TO CONSTRUCTION. THE CONTRACTOR THEN USED $3 MILLION OF THE ADVANCE TO CAPITALIZE A NEW COMPANY, WHICH BID ON ADDITIONAL MARIANA ISLANDS CONTRACTS, AND INVESTED THE $6.6 MILLION BALANCE IN INTEREST-BEARING SECURITIES. SUBSEQUENTLY, THE HOUSING AUTHORITY BORROWED FUNDS FROM THE CONTRACTOR TO PAY INTEREST OF $683,000 ON A LOAN OBTAINED TO FINANCE THE ADVANCE TO THE CONTRACTOR AND THEN

HAD TO PAY THE CONTRACTOR INTEREST OF $63,000 ON THE AMOUNTS BORROWED. AS A RESULT, THE REDUCED NUMBER OF HOUSES BUILT WERE PRICED BEYOND THE MEANS OF LOW INCOME PERSONS.

- THE U.S. VIRGIN ISLANDS NONCOMPETITIVELY HIRED THE DISTRICT OF COLUMBIA TO UPDATE ITS PERSONNEL MANAGEMENT SYSTEM AND ENDED UP SPENDING OVER $200,000 WITH LITTLE OR NOTHING TO SHOW IN RETURN. WORK FOR THE STUDY WAS INITIATED WITHOUT CONTRACTS, AND THE VIRGIN ISLANDS PAID THE DISTRICT ABOUT $230,000 FOR ACTIVITIES THAT WERE OF QUESTIONABLE ELIGIBILITY FOR REIMBURSEMENT. THESE COSTS INCLUDED FEES AND TRAVEL COSTS OF $126,000 FOR CONSULTANTS THAT WERE NOT SUBSTANTIATED BY RECEIPTS OR DOCUMENTATION SHOWING THE TIME SPENT ON THE PROJECT; $90,000 FOR TRAVEL COSTS OF DISTRICT EMPLOYEES WHOSE PARTICIPATION IN THE STUDY WAS NOT COVERED BY A FORMAL WRITTEN AGREEMENT; AND $4,400 INCURRED BY PROJECT TEAM MEMBERS FOR GIFTS, BAR BILLS, AND TENNIS AND LAUNDRY EXPENSES. IN ADDITION, SOME DISTRICT EMPLOYEES STAYED AT LAVISH HOTELS WITH ROOMS PRICED AT $537 PER NIGHT. THE U.S. VIRGIN ISLANDS HAS STILL NOT BEEN ABLE TO REFORM ITS PERSONNEL SYSTEM.

- A U.S. VIRGIN ISLANDS CONTRACTOR MISMANAGED $6.6 MILLION OF FEDERALLY FUNDED CONTRACTS AND GRANTS RECEIVED TO TREAT ISLANDERS FOR MENTAL TRAUMA RESULTING FROM THE EFFECTS OF HURRICANE HUGO. CONSEQUENTLY, THE ENTIRE $6.6 MILLION WAS QUESTIONED BECAUSE THE VIRGIN ISLANDS FAILED TO ENSURE THAT THE CONTRACTOR ADEQUATELY ACCOUNTED FOR COSTS CLAIMED. THE CONTRACTOR HAD NO FORMAL ACCOUNTING SYSTEM, REPORTED INACCURATE FINANCIAL DATA TO THE FEDERAL GRANTOR AGENCIES, NEGOTIATED CONTRACTS WITHOUT ANY WRITTEN AGREEMENTS, OVERSTATED PROGRAM ACCOMPLISHMENT, AND HIRED UNQUALIFIED INDIVIDUALS FOR COUNSELING POSITIONS. SOME OF THE QUESTIONED COSTS INCLUDED $303,000 FOR CONSULTING SERVICES THAT WERE NOT SUPPORTED BY WRITTEN CONTRACTS; $85,000 FOR REPAIRS AND RENOVATION TO A BUILDING LEASED FROM A RELATIVE OF THE CONTRACTOR; $5,800 FOR A CHRISTMAS PARTY AND THANKSGIVING

TURKEYS FOR CONTRACTOR EMPLOYEES; $4,200 FOR EMPLOYEES TO ATTEND "STRESS FREE FUN DAYS" AT THE BEACH; AND $68,000 TO ACQUIRE MICROCOMPUTER SYSTEMS, MORE THAN 100 SOFTWARE PACKAGES, A REFERENCE LIBRARY OF OVER 500 BOOKS AND PUBLICATIONS, AND PEN AND PENCIL SETS COSTING FROM $49 TO $86 EACH--ALL OF WHICH WERE UNRELATED TO CRISIS COUNSELING PROGRAMS.

INSULAR GOVERNMENTS ARE ALSO LOSING MILLIONS OF DOLLARS IN REVENUE BECAUSE THEY FAIL TO EFFECTIVELY COLLECT INCOME AND PROPERTY TAXES OR FEES FOR GOVERNMENT SERVICES.

- FOR EXAMPLE, THE TAX BOARD IN AMERICAN SAMOA AWARDED QUESTIONABLE TAX EXEMPTION BENEFITS OF AT LEAST $7.1 MILLION. SIMILARLY, THE GUAM ECONOMIC DEVELOPMENT AUTHORITY AWARDED TAX EXEMPTIONS OF $40 MILLION EITHER TO INELIGIBLE FIRMS OR FOR PERIODS LONGER THAN THOSE AUTHORIZED BY LAW. THIS $47 MILLION IN TAXES WILL BE LOST OVER A NUMBER OF FUTURE YEARS. ALSO, THE VIRGIN ISLANDS GRANTED TO HESS OIL VIRGIN ISLANDS TAX EXEMPTIONS OF MORE THAN $6.2 BILLION, WHILE HESS OIL PROVIDED ONLY $1.7 BILLION IN BENEFITS TO THE VIRGIN ISLANDS. THE TAX EXEMPTIONS PROVIDE FINANCIAL ASSISTANCE THROUGH THE REFUND OF INCOME TAXES AND THE FORGIVENESS OF PROPERTY TAXES OWED.

- THE GOVERNMENT OF GUAM FAILED TO CORRECT DEFICIENCIES IDENTIFIED BY THE INSPECTOR GENERAL IN THE ASSESSMENT OF PROPERTY TAXES. CONSEQUENTLY, THE GOVERNMENT ALLOWED KNOWN WEAKNESSES IN THE REAPPRAISAL OF PROPERTIES TO PERSIST. AS A RESULT, THE GOVERNMENT MAY HAVE LOST $50 MILLION IN REVENUES, IN ADDITION TO THE $25 MILLION IN LOST REVENUES WE DISCLOSED IN A PRIOR AUDIT REPORT.

- THE NORTHERN MARIANAS COMMONWEALTH UTILITY CORPORATION LOST APPROXIMATELY $13 MILLION IN 1988, OF WHICH $9 MILLION WAS DUE TO AN INADEQUATE RATE STRUCTURE AND $4 MILLION WAS DUE TO INEFFECTIVE PROCEDURES FOR METERING,

BILLING, AND COLLECTING. AS A RESULT, A SUBSTANTIAL DEFICIT HAS BEEN BUILT INTO THE SYSTEM.

THE ISSUES I HAVE DISCUSSED HERE TODAY ARE NOT INTENDED TO INCLUDE ALL OF THE VAST ARRAY OF PROBLEMS WITHIN THE DEPARTMENT OF THE INTERIOR AND ITS BUREAUS. GIVEN THE LIMITED STAFF AND FUNDING RESOURCES OF MY OFFICE, WE HAVE NOT ALWAYS BEEN ABLE TO ENSURE COMPLETE COVERAGE OF ALL PROGRAMS. HOWEVER, WE HAVE ATTEMPTED, AND I BELIEVE SUCCEEDED, TO CONCENTRATE ON EVALUATING THE OUTCOME OF THE PERFORMANCE BY THE DEPARTMENT AND ITS BUREAUS. I FURTHER BELIEVE THAT IF THE DEPARTMENT AND ITS BUREAUS WOULD IMPLEMENT THE RECOMMENDATIONS WE HAVE MADE IN OUR AUDIT REPORTS, INTERIOR'S OPERATIONS WOULD BE IMPROVED, WITH A RESULTANT BENEFIT OF REDUCTION IN COSTS AND INCREASES IN REVENUES.

THIS CONCLUDES MY PREPARED STATEMENT. I WOULD BE HAPPY TO RESPOND TO ANY QUESTIONS THE COMMITTEE MAY HAVE CONCERNING THE AFOREMENTIONED ISSUES.

The CHAIRMAN. Thank you, Mr. Richards, very much for your testimony.

As I said at the outset, I think that combined testimony of you and Mr. Peach and the findings of Representative Synar's Committee present a fiscal horror story for the Members of this Committee.

You quite correctly point out, both of you have, that in some instances the practices that you outline have been allowed to continue because there are very strong constituencies, that are resistant to change, behind some of these practices. That's sort of the history of this Committee. We deal with those people all the time, and apparently not as successfully as we should have in terms of the taxpayers.

At the same time, your reports also suggest something else that is going on, and that is just sort of designed incompetence that accrues to the benefit of some of these constituencies simply by not having the programs up and running, such as the Minerals Management Service's programs and the question of royalty collections. We've heard testimonies from the States that they think they could do a better job and that they think they're getting shorted on their share of the royalties and what-have-you. But obviously if the royalties aren't collected it's to the benefit of the producer of that resource.

There are a number of subcurrents going on here. But let's start at the beginning here before we get to those policy considerations.

In your report, Mr. Richards, you talk about the 13 bureau accounting systems that, if I read that paragraph correctly on page 3, essentially describe a system that's incapable of providing for the rational and accurate accounting of the operations of the various bureaus of the Department of Interior; is that correct?

Mr. RICHARDS. Yes. That system was incapable of giving you any snapshot or any reasonably accurate estimate of the Department's financial condition. I must point out that——

The CHAIRMAN. Let me interrupt you, if I might. So before we ever get to the policy considerations of what the level of grazing fees is or what the royalty is, we can't even measure what it is we're doing now under current policy.

Mr. RICHARDS. Well, that's true in that we don't have a lot of the systems and the coordination within the Department, and the raw data, the information to gauge a lot of what is out there in the public lands, for example, the hazardous waste sites, the landfills that may have hazardous conditions, the mining claims that are unreclaimed or underbonded.

The financial system goes more to the money that the Department brings in and that it spends, and the Federal financial system, which bureaus are now implementing, is a single system. But one of the problems is that old habits die slowly, and they are trying to rig the new financial system, which will be one system, to look like their old 13 systems. That's basically the problem.

The CHAIRMAN. Is GAO under the financial system, the Federal financial system, are you to sign off on these accounting systems at some point? Is GAO involved in this, Mr. Peach?

Mr. PEACH. We used to have a responsibility for approval of the accounting systems of agencies, but through some changes we no

longer have that responsibility. However, we still take an interest in terms of standards that are set in that area and have some staff people who try to work cooperatively with agencies who are seeking to make improvements and we review f±inancial systems. We have an Accounting and Financial Management Division.

The CHAIRMAN. Can you comment on whether or not your knowledge, or GAO's knowledge of these accounting systems within the Department of Interior reflect that——

Mr. PEACH. The one area that I'm aware of where we have done substantial detailed work was looking at the effort to try to reconcile the Bureau of Indian Affairs' Trust Fund in terms of whether or not it had been treating and handling payments fairly over the years. Basically, we found as we got into looking at this that you're operating in an area where the records just don't exist. The records were not there in order to be able to reconcile the Fund.

I understand the statement was made at a hearing that in effect it's like trying to balance your check book without having the stubs or the cancelled checks and coming in to try to figure out what has been going on.

The CHAIRMAN. Well we tried that once here, and that didn't work out. [Laughter.]

Mr. PEACH. I might add, just to make a leap, you were talking about the financial systems, and the Inspector General was also talking about the other management data and information you may want. The Department does operate in a very decentralized way with most of its bureaus and activities, and we often find as we do reviews of particular areas there that we have to try to go out and try to create somewhat of a database. We use a lot of data collection instruments that we have to send down to the local level to try to find out what we can get out of their records and then visit them to try to verify that we're getting accurate information coming back. You often don't find the kind of good information centrally that you might like to have in terms of what's happening.

The CHAIRMAN. Well I know when we were doing the minerals mining thing that the computer wouldn't work on a 31-day month. The computer just couldn't calculate royalties based upon 31 days being present in the month. So we lost those royalties and went on about our business.

It ranges from rather gross problems within the accounting system to rather minor ones. You have the new GAO—no, excuse me, Inspector General—credit card usage by personnel within the Department, the inability to account for personal uses of credit cards for which people are being reimbursed.

So you start to look at this agency and you get the sense that it looks a little bit like an ant farm. The insides are pretty well hollowed out in terms of command and control of the people's money.

Let's move on.

Mr. Richards, you testified in terms of the triple level management, was that within BLM?

Mr. RICHARDS. Yes.

The CHAIRMAN. within BLM? You think could save $49 million. That's annually?

Mr. RICHARDS. Yes.

The CHAIRMAN. If they would go to a two-tiered system as opposed to a three-tiered system?

Mr. RICHARDS. Yes.

The CHAIRMAN. But that has not been done. That was recommended and that was pursued; is that correct?

Mr. RICHARDS. Well what happened was that the bureau first basically stonewalled the report. They said it wasn't worthy of commenting about.

Your colleague, Mr. Vento, had a hearing about a year ago on that report at which I and the Director testified. In that hearing the Director said, yes, he had been concerned about the layering and the redundancy in the BLM and that he was going to take some steps to fix it, and indeed he did get out some guidance to the field to gin up plans that would cause, them to go to a two-tier system and we thought things were on the way to improvement. But in the end the system basically killed it and we're back to "doing a study" now about it. I am not hopeful that the bureau will move forward on reforming this system.

The CHAIRMAN. So if nothing is done it's going to cost us $50 million to keep what you said is an outmoded and redundant system that was based upon a model of 25 years ago in place?

Mr. RICHARDS. Yes. As a matter of fact, because they are charging administrative costs to program implementation it throws their accounting out of whack as well. They have to do that in order to justify the fact that they are spending more time on administrative than they are on program implementation.

The CHAIRMAN. You raised the issue that we're about to embark on a course of duplication the mapping services within the Department—between USGS and was it Mining which wants to do its own maps?

Mr. RICHARDS. MMS.

The CHAIRMAN. MMS, excuse me. This has the potential of costing us almost $70 million?

Mr. RICHARDS. Yes. The Congress has declared USGS as the mapping specialist for the government and it has great expertise in mapping, and it does across the government do a lot of coordination and mapping for everybody, except the bureaus inside the Department of the Interior.

The CHAIRMAN. Do they know their number? [Laughter.]

But that's an ongoing project; is that not correct?

Mr. RICHARDS. Yes.

The CHAIRMAN. If we don't curtail it, if the Secretary doesn't curtail it at some point, it's a $70 million expenditure?

Mr. RICHARDS. That's correct.

The CHAIRMAN. So we go from there to larger policies. These are sort of a sampling of the in-house loss of control. We haven't even gotten to the Bureau of Indian Affairs—which with one more adjective in your description of the bureau, we should terminate it right here this morning—has a complete inability to function as an agency on behalf of its charges under the law with respect to a fiduciary relationship as both of you have found. It has just a total inability to deal with that relationship. And moving on to the question of the collection of agreed upon and negotiated royalty pay-

ments and resource management, you indicate the problems run to the tune of hundreds of millions of dollars.

Mr, Richards, in your summary you mention MMS, the problems of its resolution of terminating contractor agreements, buyouts and amending contracts for lower gas prices and volume requirements, are you telling us that it may cost us $754 million, and that's over what period of time, a year or five years?

Mr. RICHARDS. They have to go back to at least the statute of limitations. Particularly in the middle 1980s a lot of these buydowns and buyouts started happening. So basically they've got to get on it pretty quickly.

MMS career staff were working on guidance for their field offices to basically start collecting these royalties. At the last moment we discovered a directive was issued to the Minerals Management Service that this was major rulemaking and that therefore they had to go through a regulatory process.

The CHAIRMAN. Did you concur in that determination?

Mr. RICHARDS. We certainly did not, and we wrote a memo to Secretary Babbitt to that effect. As a matter of fact, last Friday he called me and told me that he was going to reverse that.

The CHAIRMAN. So with the statute of limitations running our potential exposure is what, ours being the taxpayers?

Mr. RICHARDS. Well it's between 750 and a billion dollars, $750 million and $1 billion.

The CHAIRMAN. Over what period of time?

Mr. RICHARDS. Over a period of about six years, that being the statute of limitations.

The CHAIRMAN. With respect to the questions on the drainage protection program within the Bureau of Land Management, is that something that we are going to have to deal with or can the Department deal with administratively? You cite there that the potential is a $74 million loss in royalties.

Mr. RICHARDS. Yes. What happened is that several years ago, inadvertently and by some misinterpretation at headquarters, some of the BLM field offices terminated their drainage protection program.

The CHAIRMAN. This is the office with triple management?

Mr. RICHARDS. Yes, and then we did a report several years ago pointing out to them that this was essential. It's an essential function because, as you know, oil and gas doesn't know whose land they are under. So when you have private tracts adjacent to public tracts and the private tract is drilling, it's drilling in a pool of oil and depleting oil under the public tract. So you have to have what is called drainage. You have drainage agreements.

The CHAIRMAN. This is not a new problem in the history of oil wells?

Mr. RICHARDS. No. You drill an offsetting well or you make a settlement so that the public oil which is being drained off with private drilling is equalized.

So the Bureau got back on the drainage program and they did such a good job that they now have a 25,000 case backlog. So what we're telling them now is that they have to prioritize that backlog to pick the best cases rather than just taking them one by one at random.

The CHAIRMAN. This is sort of like asking General Motors for data and they flood your office with it.

So we have 25,000 cases identified by the Bureau where somebody may be stealing the public's resources?

Mr. RICHARDS. Well the public's resources need to be protected at least because if they are not——

The CHAIRMAN. They will be stolen.

Mr. RICHARDS [continuing]. They will be taken.

The CHAIRMAN. The people taking them don't own them.

Mr. RICHARDS. Well they probably don't. They don't know where the pool is.

The CHAIRMAN. And the definition of somebody who takes something that they don't own is stealing.

Mr. RICHARDS. Yes.

The CHAIRMAN. So now we've got $74 million there, we've got $750 million over in mineral management, we've got $60 million in mapping and we've got $50 million in redundant staff within one bureau, and it goes on and on and on.

Then along comes Mr. Peach who outlines an entirely different set of circumstances, and that is the maintenance and management of the public lands, if I read your testimony right, Mr. Peach, is that this operation is in almost complete decline. For whatever purposes we're managing the resources, those purposes are threatened by the management of those resources. That's my statement, and I'm asking that as a question. Is that fairly accurate?

Mr. PEACH. I think what we're trying to summarize is both some of the mismanagement and also a combination of not taking care of and continuing to make the investment in those areas.

The CHAIRMAN. I consider that part of management.

Mr. PEACH. You know, I had the opportunity during this last year to visit several of the major national parks, to go out after the peak season was over and to take a look at some of the questions of employee housing and use requirements, and clearly the parks are being faced with an increasing, geometrically increasing, number of people demanding and wanting use of them. At the same time, managers are challenged with providing people with a quality experience, and also with maintaining and preserving the parks.

While funds are coming into the parks, they nevertheless are faced with an increasing deferral or backlog of maintenance projects and also serious problems in terms of housing for employees that work there. So that's just one example, but you could mirror that in terms of the Forest Service and their recreation sites and a variety of other areas.

The CHAIRMAN. If I read your report again and Mr. Richards' statement and if we just focus on the national parks for a moment, we're accumulating deficit in terms of the management of those parks faster than we're curing it.

Mr. PEACH. That's correct.

The CHAIRMAN. The deferred maintenance, the deferred investment and the deferred improvement through that system is accumulating faster than anything we're doing to correct this. Mr. Richards has us up to, what, about $2 billion—what did you say, Mr. Richards?

Mr. RICHARDS. About $2 billion.

The CHAIRMAN. About $2 billion. GAO was a little bit lower, 1.8 or something. We're looking for savings wherever we can get them. And that system is just going to continue in decline under the current scenario. We will be talking about what we can do to change it, but under the current scenario if we just run it out, that deficit, that management deficit in terms of investment and maintenance is just going to continue to accumulate and we're not going to reverse that under the current scenario; is that correct?

Mr. PEACH. Under the current scenario that's correct. In point of fact, one of the things I highlighted in my statement was they had this Legacy 99 approach, and that covered more than just the parks. You could look at saying, all right, under that approach we made $1.6 billion worth of investment in these areas.

But at the same time in the 1988 time frame you were looking at deferred maintenance in the national parks of $1.9 billion, and now in 1993 in the National Park Service budget they are looking at $2.1 billion. So you have a little greater than a 10 percent increase in terms of deferred maintenance and backlog. So whatever investment we're making in terms of expenditures going into things, it's not keeping pace with what are seen as needs and requirements.

The CHAIRMAN. Maybe you've just explained it, but in your paragraph on the Legacy 99, you say "As a result, after an expenditure of over $1.6 billion over two fiscal years, the success of this initiative in accomplishing its objectives cannot be determined." That's what you just told us, right, that in fact when they got all through with it, we're still running behind the curve here?

Mr. PEACH. That's right, and I related it only to the national parks. But of course one of the things you've got to do is measure. When you say you're going to make a certain kind of an investment you've got to have a baseline to say, all right, what are the needs we're trying to meet out there, and having an accumulated understanding of what the total needs are that we're trying to meet, you need to see if that type of investment is going to be adequate. And as I said, just in the case of the parks, you'll see we're falling further behind during this period.

The CHAIRMAN. And with BLM apparently it is the same situation, and there is substantial evidence it may also be true in the Forest Service.

Mr. PEACH. It certainly is in the Forest Service.

The CHAIRMAN. Well I'll yield to my colleagues, but, you know, it is rather fascinating when this kind of management is tolerated on the watch of people who kept telling us they were going to run this place as a business. And they did, they ran it just like the business of the 80s. They made no long-term investment, they took care of no deferred maintenance, they took all the short-term capital out of the system they could, and now we have a system in complete and total decline.

Not only did we fail to collect resources on a timely basis so we could use them to maintain the system, but we haven't even gotten to the part of both of your reports that suggest that we're being saddled with a whole series of costs that are not even being factored in or that we don't have any idea of the extent of these costs—in terms of the repair of the lands and the waters and the

resources that belong to the people of this nation in terms of the toxics, the dump sites, the loss of riparian uses.

This first round of questions dealt with the day-to-day accounting, but what is not factored in in much of this is what is going to be the real cost of cleaning up the mess that has been left here after the last decade of management and the absolute hemorrhage of taxpayer dollars to rather questionable uses.

Mr. Allard.

Mr. ALLARD. Thank you, Mr. Chairman.

I would like to ask Mr. Peach, you testified that the nation's natural resources are declining and in disrepair, and yet Congresswoman Bob Smith just entered into the record the statement by Mike Penfold of BLM stating that only 15 percent of BLM lands are in poor condition and 70 to 80 percent are in excellent to fair condition.

Why does the GAO not square with the BLM on these figures, and I think this is important also to Members of the Committee like Congresswoman Vucanovich where 65 percent of her State is BLM? Please respond.

Mr. PEACH. I might ask Mr. Duffus to respond on the BLM figures. But I would just like to set a broader perspective. In terms of our report in talking about decline, we tried to talk across the board in a variety of programs at the Department of the Interior.

It includes such things as the shortfall in park maintenance that I referred to, and it includes such things as the surface mine reclamation fund. It is expected to be $27 billion short by the year 2004 in terms of the revenues collected to deal with the surface mine reclamation problems.

There is $283 million in damage caused by hardrock mining on federal lands which the federal government is likely going to have to pick up the tab for. You have $644 million backlog at the Forest Service in terms of trails and recreation. You have the BLM saying in order to carry out their range management monitoring responsibilities they need a 50 percent increase in their budget for that particular area.

So that's an array of some of the types of things that we talked about when we talked broadly about there being a decline and a problem in a broad sense that needs to be focused on.

Now Mr. Duffus could address specifically the BLM numbers.

Mr. ALLARD. Before he does that, I would like to paraphrase your comment here. So you're saying that BLM as an agency when you throw them in on the total figures that you present before this Committee that in a way, I mean it doesn't apply to just the BLM. The BLM agency has their own figures, and you've presented figures that apply to the whole area of natural resources, and that's why the discrepancy exists?

Mr. PEACH. Well I made the point that BLM itself, according to my understanding, has said that to carry out their rangeland monitoring responsibilities in an adequate way they need an increase in resources, that they are short of staff in terms of being able to do what they feel they are mandated to do for rangeland monitoring by about 50 percent.

Now you were talking specifically about the numbers that they had provided about just what the state is of the rangelands that they see that they're dealing with.

Mr. DUFFUS. In 1988 we collected information through a questionnaire from the range managers in BLM that were responsible for managing grazing allotments. They reported to us that about 12 percent of the land that they managed was in poor condition. The trend was about seven percent for decline. At that time they also reported that the condition of 28 percent of the land was unknown.

The 1991 BLM statistics show that 15 percent of the rangeland is in poor condition. So that has grown three percent in three years and, according to the BLM figures, 13 percent of the land is unclassified. So in 1988, 28 percent and in 1991, 13 percent of the land was unclassified. It's condition was not known.

The numbers that we reported in 1988 show that 12 percent of the land was in poor condition and 31 percent was in fair condition, and that compares to BLM figures of 36 percent in fair condition and 15 percent in poor condition. So I don't think the numbers are terribly inconsistent.

But I think it's important to point out that there is a large percentage of land whose condition is most known. That represents a fair amount of federal land.

Mr. PEACH. Mr. Allard, to clarify this, one of the things that we can offer for the record so you can get the numbers set up would be what was reported to us in terms of percentages by the BLM land managers when we made this survey of the 800 land managers in 1988 and what was reported by the BLM in that report that was referred to in 1991 so you can see exactly what percentages we had reported to us in 1988 and accumulated and what BLM reported and accumulated in 1991 by the categories of excellent, good, fair, poor and unknown. So that will give you a direct comparison in each category, and there are some differences in percentage changes.

Undoubtedly I would expect BLM made another survey at that time and again got information back in from their field structure because, as I said, the information systems are so decentralized they have to seek it from that level.

Mr. ALLARD. Thank you. That would be helpful.

[The information to be supplied follows:]

Supplied by Mr. Peach ....

Land Condition[a]	GAO[b] (Percent)	BLM[c] (Percent)
Excellent	6	5
Good	23	31
Fair	31	36
Poor	12	15
Unknown/Unclassified[d]	28	13

[a]Land condition was defined in terms of the similarity between the present vegetation and the potential natural plant community, as follows: excellent, 76 to 100 percent similar; good, 51 to 75 percent similar; fair, 26 to 50 percent similar; and poor, 0 to 25 percent similar.

[b]As reported in GAO's June 1988 report Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments (GAO/RCED-88-80, June 10, 1988). These statistics were based on a questionnaire sent to BLM range staff asking their professional opinion about the land condition of 398 randomly selected BLM grazing allotments. These allotments represent a statistically valid sample of BLM allotments.

[c]As reported in BLM's September 1992 report, Public Land Statistics 1991. These statistics were based on information from ecological site inventories (49 percent of the public lands), estimates based on earlier inventories (30 percent of the public lands), and estimates based on professional judgment alone (21 percent of the public lands).

[d]GAO's report contained information about the percentage of land for which condition was not known and BLM's report contained information about the percentage of land for which condition was not yet classified.

Mr. ALLARD. Where did the GAO derive its numbers about subsidies and lost revenues under the Mining Law? Did you take into consideration factors of diminished income taxes, royalty disbursement with the States and the reclamation fund?

Mr. PEACH. Exactly which figures are you referring to?

Mr. ALLARD. We've had some comment in here about the subsidies that apparently mining companies are receiving because they are not paying supposedly an adequate amount of fees and so they are being referred to as a subsidy. So I just would like to know if you have any of those figures, and if you do, did you factor in things like decrease in income taxes because you're dropping the margin of profit and royalty disbursement, that type of thing to the States?

Mr. PEACH. All right. Let me try to place in perspective the two figures that we used or referred to in our transition report in the hardrock mining area.

The first area related to an area of the patenting of claims and the situation where under the patenting of claims provisions, land can pass into private ownership from federal status for between $2.50 and $5 an acre. We related that to the issue of whether there should be a patenting program or not working the way it does or, if there is, whether there should be at least some recognition of fair market value when the land transfers over. So that was one aspect of what we talked about.

The other area related to work that we were asked to do by Senator Bumpers of what was the value of hardrock minerals extracted from federal lands, and again we had a situation where there is not good data.

However, working with the American Mining Congress we had their cooperation in seeking and helping to get the mining companies to respond to our data collection instrument for information about the value of the minerals that they had extracted from federal lands.

We had about a 92 percent response rate. So we did have a very high response rate in terms of companies being willing to cooperate, and we were able to estimate that the value of minerals extracted from federal lands was in the range of $1.2 billion.

Now that relates to the controversy of the issue about whether one wants to consider putting a royalty on that or not, and it gives you a baseline for deciding what you're dealing with. We didn't take a position on the issue of doing that or not, but rather provided information on the value of what is being extracted. Currently, there is no royalty imposed on the minerals that are being extracted.

Mr. ALLARD. In some of the testimony that you've provided here in this Committee you point out that we're unable to keep up with maintenance and operation that we currently have in our parks, and in light of that do you think it's advisable to acquire more parkland?

Mr. PEACH. I think that's kind of a tradeoff question that the Congress is going to have to look at. The Congress has the responsibility ultimately to make those decisions. We are trying to lay on the table the fact that you do have a situation of increasing backlog and maintenance in the parks. So you're going to have to look

at the options if you acquire more, then you're going to have other expenses that are going to be associated with that, or you can also look at options of how you can increase your revenues. One area of course that would require some legislation or change would be to look to increased charges for use of certain aspects of the park.

There is a recent contract, and I know there has been some controversy associated with it, in Yosemite. A change in the concessioner is assuring a greater return coming in than from the concessioner that is running it. Basically there have been very low returns for years.

So beginning to look at those areas where you can increase return and look at applying some of that towards trying to maintain the resources that you have out there are opportunities that you've got to look at.

If you don't do that, you run the risk at some time of deterioration getting so bad that those resources can no longer be subjected to the use that we would like to see them subjected to in the case of the parks.

Mr. ALLARD. So would you say that previous Congresses haven't looked at the total picture as far as maintenance and operation and have continued to acquire parkland and the end result is that maintenance has suffered?

Mr. PEACH. I think there has been the interest to continue to acquire parkland, and I think that one of the suggestions we're making is maybe there has not been as good a perspective provided overall, not only for the parks, but the total question of natural resources of what the needs are in order to maintain them in adequate condition.

Mr. ALLARD. So maybe even though there has been attempt by the Department of Interior in the last years to run it as a business, it's impossible to run a business when you're continually having more and more parks mandated into your department for maintenance and operation and you can't keep up with the maintenance and operation.

Mr. PEACH. Certainly they have the responsibility to try to keep up with it. I might say, you know, certainly there is a lot of criticism for the parks, but the effort to try to change the approach to concessioner contracts would be one example I think of a positive kind of action that has been taken by the previous administration that maybe is at the point where it will begin to bear some fruit.

Mr. ALLARD. Thank you.

Mr. COTTON. Mr. Allard, let me, if I could, add one other thing. The Director of the National Park Service came and talked to us a couple of weeks ago and tried to give us a perspective of where he started and where he has been and everything, and he said the number one threat to the parks right now is not what a lot of people think. He referred to it as a thinning of the blood, and that's exactly the issue that you've keyed on here today, that more and more of the resource base is being added to, but not the comparable increases in the operation and maintenance budget to manage what they have, and now you're starting to see a cutback in services trying to equal the funds that are coming in.

Mr. ALLARD. That has been the same type of feedback that I've gotten out of the people managing these parks, that the mainte-

nance and operation is their real problem, and every time you bring in new parks it consistently makes less money available for their maintenance and operation.

The CHAIRMAN. If the gentleman would yield, that would be a very good argument if the suggestion was that the Department was being run as the tightest ship it possibly could be. But as we've seen enumerated here today, tens of millions, hundreds of millions of dollars are being lost to the system for whatever purpose, whether you agree that there ought to be additional maintenance or additional acquisition or what-have-you. I keep using the word the "hemorrhage"; that's what is going on here.

It's a little hard to believe the suggestion that because Congress makes a determination to add a resource to the base that "therefore" justifies a $2 billion decline when we're finding that there is about $4.5 billion here that is just laying on the floor because of poor management, collections and policy decisions.

Mr. COTTON. Mr. Chairman, as we pointed out in our transition report, seeking additional revenues is only one alternative. Another alternative to reducing services and standards is to make the government operate more efficiently, and there is tremendous amount of work that has been done by the IG and there is a heck of a lot more that needs to be done if you can identify what your needs are and allocate the resources appropriately.

The CHAIRMAN. I don't want to leave it that there is a one-to-one tradeoff between the acquisition of lands that people in a State determine they want preserved and whether or not that's going to continue the decline in the National Park Service. There are a lot of other policy determinations that need to be made within the operation of this Department before you get to that point.

I would love to be at the point some day where we can make that tradeoff, to believe that we have a ship that is being run that tight, but we're not there yet.

Mr. COTTON. I agree.

Mr. ALLARD. I would agree with the Chairman that we've probably got other areas of waste, but I don't think that this Committee or the Congress can ignore the fact that whenever we bring in more park areas that there is more maintenance and operation that goes with that and more responsibility and it's going to have an impact on our budget.

The CHAIRMAN. No question about it.

Mr. ALLARD. Thank you, Mr. Chairman.

The CHAIRMAN. Ms. English.

Ms. ENGLISH. I want to get back to the first question that I had with Mr. Synar. How do you assess, both gentleman, Mr. Peach and Mr. Richards, how do you assess losses that have not been accounted for in a monetary way, an example being in Arizona we have about 86 percent public lands, and through the various agencies that are responsible for those public lands we have lost somewhere between 75 and 95 percent of our riparian habitat. Now there isn't a dollar amount for riparian habitat. You can't say this riparian habitat or this acre costs so much, but there is an incredible loss.

We've been discussing the losses that we have attached dollar figures to. We haven't been discussing long-term losses where we

may not even have a value attached for decades or a century, but there are losses.

How do you incorporate those losses or those deficiencies when you are assessing things like you gentleman have assessed today?

Mr. PEACH. Admittedly it's difficult and it's hard always to place a dollar value on some of those kinds of losses. More often than not I think we tend to try to deal with them qualitatively rather than trying to get too quantitative because of the issues and subjective nature that could be attached to dollar values that you may associate with them unless you really have a good firm way of doing that. So you try to raise the question and point out that there are other losses there that are long term and that are qualitative in nature that are difficult to document.

You used the riparian example, and one of the areas in which we have done some work, and the work was done several years ago, was looking at problems in riparian areas caused by overgrazing on public lands, and we found good examples of people who were being good stewards in terms of maintaining the land and what can happen when someone is acting as a good steward. We tried to highlight those, but we also tried to highlight the condition of riparian areas.

The problem with many of these lands, because they are somewhat more marginal lands, is once you do that damage, they're very difficult to recover. Recovery is a longer term thing and it takes much more nurturing in order to try to bring that recovery about.

Ms. ENGLISH. I suspect that under that definition most of Arizona would be considered marginal lands.

Mr. PEACH. We also had done work in a similar area, and there is a report on that subject we can provide you, where we looked at grazing on hot desert lands, and some of the areas in Arizona require that. It's a very difficult tradeoff because it's the kind of a question when you're dealing with those hot desert areas and lands which are extremely fragile that you have to look at whether or not you think you can maintain the grazing activity and at the same time sustain the land, and there are examples there of where, you know, the damage has been substantial where the land is very fragile.

Ms. ENGLISH. So what you're saying then is that you really talk about and think about those losses, but there is no way to incorporate those losses in your formulas or your assessments for loss or cost?

Mr. PEACH. They're difficult sometimes. One of the areas where we have been able to get some hard figures on relates to damage on the federal lands where there has been hardrock mining. You know there is a site or area that has to be reclaimed, but you can't track down exactly who caused the damage and the government is going to have to reclaim the lands if anyone is going to have to reclaim them.

So there are some figures that can be attached to those kinds of areas because those sites have been assessed, so you know that here is what it's going to take to reclaim the area. So in some cases you can come up with hard figures, but you have to have people with very good technical qualifications to go in and try to attach

those figures, and usually you will always have some limitations on the validity that you can put on what they have done because there is some amount of expert judgment and guesswork that goes into it.

Ms. ENGLISH. I know we're running out of time, and I don't want to take all of the remaining time. So if Mr. Richards would mind not answering the last question, I have one other question which I would like both gentlemen to answer, and it has to do with the agencies working together.

You mentioned several agencies under Interior that apparently aren't working together very well, but there are a couple of other agencies that I am extremely concerned about who have also led to the deterioration of the riparian habitat and I believe are mismanaging natural resources and we aren't getting the fair market value for those natural resources, and that's our military.

Do you see any opportunity here to wrap military natural resource management into systems so that there is a consistency and we aren't just looking at little pieces of these regions, but taking an integrated approach to our natural resources?

Mr. RICHARDS. Ms. English, when we had planes flying too low over the Grand Canyon, including lots of military flights, we found that we had to go to the FAA and try to get them to reign in the military basically because nobody else had any jurisdiction over them. The Department of the Interior obviously can't tell the military what to do.

However, when the military has a bombing site or something like that on public lands, we can set reasonable restrictions. Oftentimes the military tends to override domestic restrictions and it's quite difficult to deal with.

Ms. ENGLISH. Thank you.

The CHAIRMAN. Mr. Pombo.

Mr. POMBO. I just have two quick questions of Mr. Richards.

You stated the cost of species recovery at $4.6 billion, and I was wondering if that included the loss of revenue as a result of lost jobs and the loss of private property?

Mr. RICHARDS. No, it doesn't. That was the estimate that the Fish and Wildlife Service gave us when we did that audit, and I don't think it went into the economics of what happened when a species is listed. As you know, the Fish and Wildlife Service by law is not permitted to take economic conditions into account.

Mr. POMBO. By the way that you've described the other estimates and figures that have been given here this morning, how accurate do you believe that that $4.6 million is?

Mr. RICHARDS. Billion.

Mr. POMBO. Billion, excuse me. I'm still a freshman and I'm learning the billion part.

Mr. RICHARDS. It's a matter of zeros.

[Laughter.]

It's difficult for me to comment on the accuracy of it. Basically the Fish and Wildlife Service doesn't have all of the best systems in order to gather data. Nevertheless, it was the best estimate that we could find from the agency that is charged by law with administering the Endangered Species Act.

Mr. POMBO. My other question is I have seen reports recently that the Department of Interior is working with certain private so-called non-profit groups in the purchasing of lands for habitat and the like, and that these groups would go out and purchase the property from private individuals at what we call a fair market value and then turn around and sell them to the Department of Interior for a profit.

We've heard a lot about fair market value here this morning, and I was wondering if you've looked into this or if you plan on looking into this?

Mr. RICHARDS. Probably the way you heard about that was the audit report that my office did having to do with the use of third-party organizations in the acquisition of lands for our bureaus, particularly for the Fish and Wildlife Service, the National Park Service and the BLM.

We did find that some of the organizations would, without risking a lot of their own money, at the request of one of our bureaus, go out and acquire options to purchase various lands based on the theory that appropriations weren't immediately available and the land was valuable for wildlife or park purposes and therefore was about to be developed and would be unless it was taken off the market.

Anyway, we reviewed a number of those transactions, and it did appear that what happened was that organizations would go and put down an option to buy the land and then the land would be conveyed to them and then they would sell it to the Department of the Interior for a higher price. Basically what happens in that kind of a case, in a below market sale, is the landowner, because he gives to a non-profit organization which is tax exempt, gets a tax deduction, a charitable tax deduction and the organization gets a windfall when it sells it to the government at its fair market value. That was going on and, what's more, apparently the practice has been of long standing.

Former Secretary Lujan, in fact, requested us to do that audit. He proposed a solution to it late in the prior Administration. However, that was withdrawn recently and we're back to ground zero, and I think probably we're back to letting the new Administration grapple with that question. It's still unresolved.

Mr. PEACH. I might add one point. We have been requested to look at whether that practice is occurring at agencies other than the Department of the Interior. So we are in the preliminary stages of beginning some of that work.

I think the Inspector General has well documented what was occurring at the Department of the Interior, but then a request came to us to look and see if other agencies were also involved in a similar practice.

The CHAIRMAN. Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

The helium program was a new one to me. I've read what you have here, but it doesn't give me any detail. I don't understand exactly, and if you can tell me very briefly how does the government incur debt in this helium program? Is this left over from the age of the dirigible, is that the idea? [Laughter.]

Mr. RICHARDS. Not quite, but it goes back a long way, Mr. DeFazio.

The Bureau of Mines has been in the helium business. They have basically a monopoly on the product.

Mr. DEFAZIO. That's great. We have a monopoly on an obsolete product.

Mr. RICHARDS. Yes.

Mr. DEFAZIO. You mean so any time I see a balloon floating around town I know the government is responsible for floating those balloons.

Mr. RICHARDS. Well probably the Bureau of Mines sold the helium to a commercial operator at below market price and therein lies the——

Mr. DEFAZIO. Also, if we do away with this program the price of helium balloons will go up and I'll hear from every kid in my district and parent? I'm worried now. [Laughter.]

Mr. RICHARDS. Well, there are no guarantees. I think that if we eliminate the government monopoly there will be a market price.

Mr. DEFAZIO. Okay. You say we have $1.2 billion of debt accumulated. To whom do we owe the debt?

Mr. RICHARDS. To ourselves.

Mr. PEACH. Mr. DeFazio, we have a report that we have recently issued on the helium program which we would be glad to provide you a copy of. If you would, as the Inspector General suggested, do away with the program, there are some complex issues that you would have to address. You really have to start with when that program was created and it was created a number of years ago, which means it should be examined at this point.

It had the objectives of conserving helium——which comes from natural gas and was then being vented to the atmosphere—to meet essentially government activities for which NASA and some others were large customers. It also had an objective of trying to develop a private helium industry.

Now over the years it was pretty successful in developing a private helium industry at the same time it was conserving and storing, to the point that we probably have about 150 years of helium in what the federal government has stored and what it has available in a field that can be produced that is mandated to be preserved. So there is lots of helium there now.

Now you have the question of the debt and how you deal with that. We suggest in that report that you may just want to cancel the debt because we owe most of it to ourselves. We would really only have to appropriate funds to other agencies to pay back to the Bureau of Mines because these agencies buy helium from the federal government.

Also, if you wanted to retire the debt you would have to charge $3,000 a thousand cubic feet, and the current price they are charging is $55 a thousand cubic feet.

Mr. DEFAZIO. Wait a minute. So a 50 cents balloon goes up to times 60, $30 a balloon? [Laughter.]

You know, this may be a tougher issue than you think here. [Laughter.]

Mr. PEACH. Well, you know, we try to lay out some of the options that you've got and the need to revisit those objectives and some of

the complexities you'll have to deal with in deciding what you want to do with the program, but it is one that you need to grapple with, I think.

Mr. DeFazio. Well there have been concerns about helium balloons and animal ingestion and all that, and we've tried to develop animal friendly balloons, and this might be a way of just doing away with the whole problem. [Laughter.]

Mr. Chairman, let me get on to something else. I do think that Mr. Lehman's committee will have to take a very close look at that issue.

Timber. I'm always astounded to read the numbers and see them reiterated on how much revenue we have forgone. I don't know that I have a lot of questions, but I do want to reiterate just a couple of the points in your excellent report which you've made before and which have been ignored during my entire tenure in Congress by the previous Administration. I have great hopes for the new Administration.

Timber growth with an estimated net value of $90 million in future revenues was lost from 1986 to 1989, and also because it did not commit sufficient financial and personnel resources needed to acquire easements through private lands, the Bureau was unable to harvest and sell mature timber with a present value of over $300 million, or to effectively manage other timberlands capable of generating $1.8 billion in future timber sales revenues.

You go on there to say, let me emphasize, that these additional revenue projections are related to timber sales from lands not involved in the spotted controversy, i.e., essentially natural regeneration, for the most part old or natural regeneration, but not old growth and not lands involved in the controversy.

It's absolutely unconscionable that the government is not making the minimal investments in personnel and obtaining the rights-of-way or the other needed investments.

You also talk about the failure to perform precommercial thinning fertilization plantation maintenance needed to sustain timber growth for future timber sales in other than old growth forests results in the loss of $2 billion.

Am I seeing an overlap here? I mean the numbers are slightly different. In the summary statement we have the $2 billion future revenue figure, and in this other statement we have this other figure. Can you tell me the difference between the two figures and what are you using for the value of timber? As you realize, we're at absolute record prices of timber right now. Have these been adjusted upward, because your earlier report from 1990 had a value of $1.7 billion, and since timber is going at about four times the price it was in 1990, I'm wondering are we talking now over $5 billion of revenue foregone at current stumpage prices or more?

Mr. Richards. I don't think so. I don't think we have updated the numbers, and I apologize for the difference between my summary statement. Probably it was a matter of transcription. I don't think we have updated the number, Mr. DeFazio.

Mr. DeFazio. So this would be predicated on a much lower stumpage value than is currently reflected?

Mr. Richards. Probably based on timber values then and now.

Mr. DEFAZIO. Okay. Well I couldn't find in your earlier report what you're using for stumpage value over time for these estimates. If you could provide that and compare it to what you see as current bids, I would be interested. I mean the $2 billion loss and the $300 million loss because of lack of right-of-way are just absolutely outrageous, and in particular at a time when we have an extraordinary timber shortage and we're talking about lands that are outside the controversy. But when you begin to look far out into the future and begin to talk of $2 billion, and this is assumed without getting to even more innovative ideas, like limbing, which is now being done extensively on private lands, I assume this is just pretty traditional sort of things you're talking about——

Mr. RICHARDS. Yes, it is.

Mr. DEFAZIO [continuing]. And not innovative at all.

Mr. RICHARDS. It's just good timber practice, good harvesting practice.

Mr. DEFAZIO. Sort of normal stewardship activities.

Mr. RICHARDS. And we'll try to update those for you, Mr. DeFazio and get them for the record.

Mr. DEFAZIO. Yes, because I would like to bring them to the attention of the current Secretary and discuss, you know, how we're going to begin to rectify this, because it just seems to me when the government with a small upfront investment can get yields that far exceed that investment in the short term for both the Federal Government and for the local jurisdictions that are impacted in terms of timber revenues and needed jobs, it's time to put up the few dollars and reap the huge returns.

Mr. RICHARDS. Yes, and that's about 95 percent. Oregon is about 95 percent of the BLM's timber program.

Mr. DEFAZIO. Yes, and 80 percent of 95 percent are in this district. So I maintain a vital concern. [See Appendix.]

The CHAIRMAN. Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

Just a couple of questions, and more on process I guess than anything. I, too, am interested in the reports. Certainly there are things to do. I am not a big fan of bureaucracy and I know how difficult it is. It's a great deal more fun now than it will be a year from now to deal with this, Mr. Chairman.

I'm interested in the role very briefly, the role of the Inspector General. You indicated you've been there since 1986.

Mr. RICHARDS. Yes.

Mr. THOMAS. And you have a whole list of things, and you indicate that none of them have been accomplished. Tell me what you do and how do you do something about it. Don't you feel a bit frustrated that you've said all these things that are logical and nothing indeed has happened?

Mr. RICHARDS. Well some things have happened. The Chairman didn't ask me to testify as to those.

Mr. THOMAS. Well you have quite a list that haven't apparently.

Mr. RICHARDS. Sure.

Mr. THOMAS. Well what do you do with your report?

Mr. RICHARDS. Well our reports are issued, first of all, to the organization or the entity that is audited.

Mr. THOMAS. You work for the Secretary or you're independent.

Mr. RICHARDS. Yes. I report only to the Secretary.

Mr. THOMAS. And the Secretary is in charge of the Department, is he not?

Mr. RICHARDS. That's correct.

Mr. THOMAS. So you haven't persuaded him that these are logical things to do?

Mr. RICHARDS. Oh, surely, for instance, Park Service concessions. The concessioners in fact went to court to try to block our testimony.

Mr. THOMAS. What about the ones that haven't been accomplished, are they not good ideas?

Mr. RICHARDS. They are controversial ideas, Mr. Thomas, and they are presented to a group of powerful bureaus who are resistant to change. I think that sums it up.

Mr. THOMAS. But the Secretary is in charge, isn't he?

Mr. RICHARDS. Theoretically. [Laughter.]

Mr. THOMAS. I think that answers it. At any rate, you throw these out as they are great ideas, we could save $700 billion and any reasonable person would do that.

For example, I think, was it GAO, you mentioned the dual subsidy on water and farm programs?

Mr. PEACH. Mr. Richards mentioned it.

Mr. Richards, has that been talked about in the Congress?

Mr. RICHARDS. Oh, yes. I testified before the Senate Committee.

Mr. THOMAS. Has it been acted on in the Congress?

Mr. RICHARDS. As a matter, I believe in H.R. 429 there is a beginning there.

Mr. THOMAS. The fact is it has been through the Congress and failed.

Mr. RICHARDS. No.

Mr. THOMAS. Yes. It did not stay in the bill. So my point is these are policy questions that sometimes there is policy that doesn't agree with what you're saying, is that correct?

Mr. RICHARDS. Oh, yes. Our reports are not self-executing, Mr. Thomas. They are recommendations and they are based upon our best evidence and on a thorough review of the Departmental program as to what we think would improve economy and efficiency or prevent or detect—fraud.

Mr. THOMAS. And I'm impressed with them, by the way.

Mr. RICHARDS. That's our statutory mission.

Mr. THOMAS. The GAO has the right to initiate studies, right?

Mr. PEACH. That's correct, Mr. Thomas.

Mr. THOMAS. And you have some responsibility for the trust funds of the Bureau of Indian Affairs. Why haven't you been more persistent in doing something about that?

Mr. PEACH. Perhaps we should have been more persistent. Admittedly we don't cover everything. When the problems occurred in terms of reconciliation we were asked to go in and do work in that particular area in terms of looking at what could be done with reconciliation and found the records in serious disrepair.

We also carry out requests at the response of Committees, Subcommittees and Ranking Minority Members, and admittedly up until that point there hadn't been as much interest in some of the Indian programs in terms of requests as there had been in other

areas. But certainly it's an area where there seems to be serious management problems.

Mr. THOMAS. And I don't mean to be critical. I guess my point is in my own mind that there are lots of us to share some of these changes, including this Committee, that could have done a great deal, and we do need to do some of the things here.

Just again, for my information, I believe your agency did some 17 reports in the past three years on grazing and range issues, but you indicated during that time you had no one on your staff who was trained in range science.

Mr. PEACH. That's correct. And let me, if I could, just for a minute talk about the kind of staff we have at GAO. Most of the staff we have at the General Accounting Office are people that are trained, primarily with master's in business administration, economics and social science research type fields which have general applicability to a broad array of government activities. We also have a number of people that have specialized skills in engineering or other technical areas where we think that the nature of work we're doing is such that we can keep them occupied in a full-time way.

In the case of doing work on BLM programs, we have relied very heavily on agency staff. As we got into trying to find out, for example, the condition of rangeland we went directly down to the bureau people. For example, in one of our reports we sent questionnaires out to 800 of the bureau offices and asked that they complete it on exactly what they saw as the status of the land, principal problems and a variety of things.

So we're drawing on basically the trained range science people directly on the ground in what they are reporting, and we're analyzing and pulling together that information from what they are reporting. So we place reliance on the technical skills that reside in the agency.

Mr. THOMAS. I understand. It would be a good idea though, wouldn't it, if when you analyzed it, as you say, and make suggestions, as you do, if you had someone who had some training in that area? I understand you do now which must be an indication that you thought perhaps you should.

Mr. PEACH. We don't have anybody I think that has a range science background that is full time on the staff. We consult with other people as we do our work and we use consultive type services.

Mr. THOMAS. Well I urge you to continue because it is difficult for us to know what these weaknesses are, and this is most helpful. I do understand, however, that sometimes the things you say are policy issues, and you can have all the data you want to, but the decision from a policy standpoint is other than that. So the notion that somehow it's a dreadful mismanagement case is not the case. The case is that someone has decided collectively that that is not the policy.

Mr. DUFFUS. Or hasn't decided at all.

Mr. THOMAS. Exactly.

Mr. PEACH. I think it's worth noting just in one area where our work has often received some degree of question which is a very

polarizing kind of issue at times, and that is the grazing fee question.

Mr. THOMAS. Nah. [Laughter.]

Mr. PEACH. And in the work that we've done in that area, we have not made a recommendation for raising grazing fees. As a matter of fact, the position we took, was that this is a policy decision which the Congress will have to make, and they will have to make it against the background of what their objectives are for the grazing program.

Mr. THOMAS. Are you certain that you've never made a recommendation that it ought to be changed?

Mr. DUFFUS. That fees ought to be raised?

Mr. THOMAS. Yes.

Mr. DUFFUS. No, sir, we never did.

Mr. THOMAS. Really. That's interesting.

Mr. PEACH. We'll provide you a copy of a report that we issued to Mr. Synar. We testified before Mr. Synar on the issue of grazing fees and how the formula works making the point directly that this is a policy judgment the Congress has to decide against the backdrop of what the objectives are, and we set out different options for how you could look at different fees, including the current structure. But ultimately it's a judgment the Congress makes.

Mr. THOMAS. Sure, I understand.

One final question. One of you, and I have forgotten who, talked about the return on investment of Bureau of Reclamation facilities.

Mr. RICHARDS. On the project loans.

Mr. THOMAS. Yes, and you took into account the multiple use factor here, did you, that not all the uses are reimbursable?

Mr. RICHARDS. Oh, yes. We're aware of the allocations of costs with regard to these. All we're talking about is the repayment documents that are in place now, Mr. Thomas.

Mr. THOMAS. We're finding more and more that because of other uses, minimum flows and this and that, that the opportunity to repay from the commodities is more difficult.

Mr. RICHARDS. That's true. We focused these reports only on the repayment contracts themselves.

Mr. THOMAS. That are in place. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Vento.

Mr. VENTO. Thank you, Mr. Chairman.

We're right back on grazing fees here this morning I guess. Let me just begin by saying to Mr. Peach that I appreciate the work of the GAO on natural resource issues. The Subcommittee that I've led for the last four years, now Parks, Forests and Public Lands, has made extensive use of the GAO in reviewing the natural resource and land management programs under our jurisdiction. In fact, as I look at the GAO review I see it's comprised of a significant number of summaries of GAO reports that I requested and others that you are now doing.

So I appreciate very much, Mr. Duffus and Mr. Peach, the work of the GAO.

I think my colleague from Wyoming indicated his concern about grazing fees, and obviously when you come up against it, everyone is entitled to their own opinions, but not their own facts. I think

the GAO has put forth some facts that lead to conclusions on grazing fees and other issues that are uncomfortable to some.

Even on this reclamation question that he raised, and I think he has left, the GAO pointed out the low payment, that is to say by the year 2010 or something, some of the water projects would pay off and they pay off with such low rates. In any case, that's a different argument.

A few issues have been raised here. One has been raised about non-profits, Mr. Richards, and their role in terms of facilitating the purchase of land for conservation units. Largely I guess you looked at the Fish and Wildlife Service. You didn't look at any BLM use of them.

Mr. RICHARDS. Yes.

Mr. VENTO. You did.

Mr. RICHARDS. Yes, BLM and the Park Service.

Mr. VENTO. I think the fact that they are looking at conservation purchases is principally what they are involved with.

I mean obviously the use of non-profits in terms of their tax status for those who participate is no different than any other participation for tax purposes; is that correct?

Mr. RICHARDS. That's correct.

Mr. VENTO. Right. In other words, the Ways and Means reaction, or the likelihood tax policy is going to change, is a different matter. So I don't know about including or excluding that, but I think it's good to look at revenue foregone, generally, in a variety of different areas.

The other side of it, and I think the major issue, is whether or not they've got to be compensated for the other fees, the title fees and other actual expenses out of pocket that they have expended, and the Secretary apparently felt that that was over and above the cost of what they had paid for the land, and so that therefore it is a question of whether that was appropriate. Is that right, Mr. Richards?

Mr. RICHARDS. Yes, basically that was one of the points.

Mr. VENTO. Well, yes, and I guess that most of us understood. As we watched the backlog of land, the inholdings within the Park System and BLM and others, we were very concerned, where they are trying to make purchases. In fact, one of the criticisms that I think came from either you or from GAO was that BLM had failed to purchase easements in certain areas, precluding the ability to in fact harvest various types of resources. In fact, we have various parcels of public land that are completely cut off from the public because there is no easement onto those particular parcels of public land just as an extreme example of inholdings and other problems that we had.

Is it true that the law requires the government to pay fair market value for land?

Mr. RICHARDS. Yes. It says that.

Mr. VENTO. And whether or not there was an additional premium paid for various charges and so forth, in any instance did you find that the government did not pay fair market value?

Mr. RICHARDS. Well they paid——

Mr. VENTO. Were they in compliance with the law that they pay fair market value?

Mr. RICHARDS. Well what we found was that because of varying appraisal practices, and some of them were terribly old, some of them weren't current, and some of them had basically defects in them, we basically found that the market value wasn't always that clear. In fact, market value is rarely clear because it's a matter of opinion.

Mr. VENTO. Well there is a certain I suppose plus or minus, but the fact is you couldn't explicitly find—what you're telling me is that the data was inadequate to make that judgment on your part. Is that what you're telling me?

Mr. RICHARDS. Well we did find, for instance, that there were claims for interest for holding purposes which the Solicitor said are not allowed.

Mr. VENTO. Well the Solicitor said was not allowed, but you did not necessarily find out whether that was actually documented or not. In other words, if they actually made the expenditures, then in other words you didn't determine whether it was documented or not; is that correct? You're not challenging the documentation of it, are you?

Mr. RICHARDS. We weren't auditing the non-profit organizations. We were auditing the bureaus and their practices.

Mr. VENTO. It could be anyone that you're buying it from, but you're not saying that they had insufficient data. I guess in some cases you're saying the data was not of sufficient validity to make the decisions that they made; is that right?

Mr. RICHARDS. That's correct.

Mr. VENTO. In terms of market value, okay.

Mr. RICHARDS. And in terms of overhead, for example.

Mr. VENTO. So I think better records are probably desirable. Obviously I would be very disappointed to see the loss of the non-profits or others that have acted as intermediaries because often I find in my own experience in terms of observing the land management agencies that the agencies have a very difficult time when they are trying to negotiate land sales. As a matter of fact, you find that very often because the Park Service or the Bureau of Land Management is involved in terms of a purchase that instantly the price goes up. In other words, they are not able to negotiate on an informal basis. In fact, of course, we see this all the time with park units.

Mr. RICHARDS. Yes, I'm aware of that.

Mr. VENTO. In fact, I think the Department of Justice would do well to, in terms of its service to the Park Service and other land management agencies, put a lot more effort into its program and expertise than they do.

Let me ask one other question, Mr. Peach, and a couple of others here.

One study that we have not requested from you is a review of the backlog of the construction and maintenance needs of the National Park System. I have not requested that and perhaps I should.

I note that your testimony pegs that backlog at $2.1 billion. We hear this figure a lot, Mr. Peach. Do you know how this figure was arrived at? In fact, you point out it was $1.9 billion in 1988, I believe, in your brief summary of this information. Can you give us any idea of how that figure was arrived at?

Mr. PEACH. Well let me ask Mr. Duffus if he can elaborate on it. But to go back, the $1.9 billion was a figure that we developed and had an opportunity to examine more carefully at the time we did a report on the amount of the backlog.

The $2.1 billion is a figure that appears in the 1993 budget request from the Department of the Interior. So it is a Department of the Interior figure, but we did have a chance to examine a little more carefully what is behind the $1.9 billion.

Mr. VENTO. Well let's look at that. I guess that they probably are extrapolating off of that.

Mr. Duffus.

Mr. DUFFUS. We used a questionnaire or a data collection instrument in 1988. We sent it to the park superintendents of the 330-plus units at that time, and we asked them what their needs were at each park. So it was a bottoms-up number that we accumulated based on information that they supplied to us.

Mr. VENTO. I have been told that over 300 million of the backlog alone was in roads in Yellowstone National Park, and that nearly 1 billion of the total 1.9 billion was in roads, bridges and related structures in the National Park System. Can you give me any insights into that?

Mr. DUFFUS. I don't recall the specifics, but in our report we did have a breakdown of what the $1.9 billion consisted of, and my recollection was that a good bit of it had to do with rehabilitation of roads.

Mr. VENTO. Well, yes, and I think that that is obviously important for us to understand where that backlog comes from and the nature of it. You know, obviously there are different amounts of funding that have been provided and can be provided through the Highway Trust Fund. We have had a road program that has been helpful. So I think that does change the character of it. I think to reduce or to minimize the other problems that exist there, they are significant and they need to be addressed.

Mr. Peach, I would also note that your testimony suggests raising the entrance fees for national parks. Mr. Richards also has some comments in his report on national park entrance fees. If we were able to double the fees to national parks how much additional revenue would be raised? Can you give us any idea?

Mr. PEACH. We can develop a number for you in terms of exactly what that kind of fee would turn out to be.

One of the other things, an interesting phenomena and you can look at this as being anecdotal from my having visited some of the parks, is that the parks, and this is an issue to consider, often are not able to retain fee revenues and because they are short staffed in many areas, we got the definite feeling that if faced with a choice of meeting some other urgent park priority they may not staff the collection point where people come through. So they even have that problem of not collecting everything.

Mr. VENTO. Even if you doubled fees, you also have the existence of resistance. If it's a destination park like Yellowstone I don't think there is as much question of whether the fee is feasible—I guess in that case it's $10 for Yellowstone and Teton, as I recall, but if you doubled it whether or not you would have an effect, but in other areas you might.

Mr. Richards, you provided some insights in this particular area. Do you want to share them with the Committee now or elaborate on them?

Mr. RICHARDS. Yes. We estimated that with the expanded list of facilities that the Congress gave the Park Service to collect fees, that had they been more aggressive and more attendant, they could have collected an additional $117 million in 1991.

Mr. VENTO. Well I think though that includes both entrance and—in fairness to the statement that I asked, and I want to point this out because this is something that gets lost in the cracks here, we're talking about both entrance and user fees.

Mr. RICHARDS. Yes, we are.

Mr. VENTO. I was talking about entrance. So I just wanted to differentiate.

Mr. RICHARDS. I would have to break the figure down.

Mr. VENTO. Well I don't want you to do it now before the Committee, but you may want to do it at some point. But at least the point is that there are fees to be collected, and I understand the problem that I raised in terms of this question. But often when we're dealing with this we differentiate in terms of the policy bill, and this is an extremely complicated area.

One of the problems, as Mr. Peach said, it's easy to get money into Washington in terms of the fees coming here, but it's not so easy to get it back out. We have an Appropriations Committee and we have OMB and everybody wants to have their say on it, and the end result is that it sometimes has a major impact on the willingness of park superintendents or managers to diligently pursue these. User fees usually turn around very quickly.

I would just point out that, in talking about this any further, a factor is that as you point out that there are a number of cases where they can collect entrance fees and they choose not to. There has to be a decision made here about what the cost is of keeping personnel in the field to collect fees. It could end up costing you more to collect the fees than what you get in fee income.

Mr. Richards, you looked at that particular aspect, did you not?

Mr. RICHARDS. We looked at that in our concession report, as you may recall, or a follow up to it where at Yosemite, contrary to Park Service guidance, they were hiring the concessioner and paying the concessioner a fee to collect the entrance fee. That's obviously a practice that I think the Congress ought to be a little leery of. But, secondly, there are parks and other types of places where there are so many entrances and so forth and it's not feasible to collect fees.

But we concentrated only on those parks that, in our judgment, had discrete entrances and exits and where basically the Park Service could have collected the fee but they deployed their personnel in other ways which weren't nearly as productive.

Mr. VENTO. Well I think it's always a major issue. Obviously the Administration did finally get a bill in last year on fees after some discussion of it. It is a mixed bag, and they were trying to expand the types of fees and marketing techniques to sell passes and so forth.

I would say, Mr. Richards, in response again to my good friend, Craig Thomas' question to you, that last year we had the report on

the BLM and the type of structure it had and the loss of monies. I don't know how many millions of dollars. I guess it was something like $30- or $40 million. But that did result, that report did result in change, did it not? I think you point that out in your testimony.

Mr. RICHARDS. Unfortunately, it didn't, Mr. Vento. We had high hopes for it, but in the end the Bureau of Land Management abandoned it and decided to study the question.

Mr. VENTO. Well hopefully that will be taken more seriously at this particular point. Obviously, with the concession issue again, we hope to address that legislatively. This year we have the Yosemite contract coming up now to look at, but there are I think a number of other changes in concession policy that we will continue to pursue.

And obviously, needless to say, this grazing issue which is so controversial will be something that is addressed again in this Congress. It isn't going to go away, nor some of the other requirements.

I notice, for instance, in the report of the GAO that the BLM had complained vociferously of the costs of doing land management planning, Mr. Peach. You didn't do any work on that particular issue. You were just offering it as an explanation. Obviously doing the resource management plans, part of the BLM mission under the 1976 FLPMA law, is a major role of the BLM, but when you look at the number of dollars being lost in other areas, for instance, their refusal to collect fees for geologic testing that goes on for instance on public lands, and you indicated that in the last five years they lost $26 million. I think that was in your report.

Mr. PEACH. No.

Mr. VENTO. Or it was in your report.

Mr. RICHARDS. Yes.

Mr. VENTO. Pardon me. Well I'm easily confused when I have two different reports in front before me. But in any case, there are a lot of dollars lost there, and for them to be carping about one of the principal responsibilities in terms of updating the resource management plans I think comes with very little credibility to this Member of Congress when I understand the importance and the persisting backlog of those particular plans.

Well, Mr. Chairman, needless to say, I think that the GAO and the Inspector General's Office have been very helpful to our Subcommittee and to our Committee in terms of outlining major problems and questions. I wish we were as quick and able to solve them, but I wouldn't say it isn't through lack of action or effort on the part of the Committee in terms of acting on measures before us. So we hope we can improve our batting average and get our colleagues in the Senate to move on some of these issues, but with their help and the information at least we have a good database, and we very much appreciate, Mr. Peach and Mr. Richards, the effort and work that you have done in these instances.

Thank you very much.

The CHAIRMAN. Thank you.

It's rather interesting that in this particular agency that sometimes the constituencies are so powerful and so entrenched and in some cases the bureaucracy is the same, and very often when we ask GAO or the Inspector General to look at a program, just looking at the program sounds like recommendations to those people as

opposed to a recitation of the facts. This obviously put Members of Congress and the Secretary and others in the difficult position of trying to reconcile those facts with the public interest. But, we obviously encourage you to continue to do that because I think that it's an invaluable service to the Congress and ultimately to the American people.

Let me touch on two points before I let you go. Clearly, not just these reports, but what we've received from both of your shops over too many years, indicates that the BIA really is in a position of failure.

That's not to discharge us from our obligations in terms of adequate resources to deal with some of the programs within the BIA—education and what-have-you—but I have never seen an agency that is as screwed up as this one from the vantage point of almost everybody who has to come in contact with it for any purpose, whether they are a user of that agency, a contractor to that agency or somebody working for that agency. It almost suggests that it has come to a point where it has almost totally lost a sense of mission and purpose and a list of objectives with respect to Native Americans in this country.

We have once again created a Subcommittee here on Indian Affairs and hopefully your reports will start to provide them a blueprint with respect to some very, very serious and real concerns that have an immediate human impact on the Native American population in this country that goes beyond just the mismanagement of resources and whether we lose dollars or not. This one is taken out in the misery of that population.

And, secondly, although it is much more fractured and decentralized than BIA, you start to outline serious problems with respect to the combined management and operation of the Trust Territories, some of which we have control over and some of which we don't. You outline a basic and fundamental problem as to the stewardship of tax dollars once they find their way to the Trust Territories and/or are generated within the Trust Territories under agreements by which they are rebated and various provisions are made to try to stimulate economic activity or what-have-you. You raise very serious and almost generic questions about how those exemptions and stimulants and others are in fact being used within those Territories.

Are those two fair summations of yours?

Mr. RICHARDS. Yes.

Mr. PEACH. Yes.

The CHAIRMAN. It's important for me because I think it's incumbent upon us to try to convert some of the recommendations, or hopefully most of the recommendations, into some policy determinations, whether I agree with them or not. But let's fish or cut bait here at some point on some of these issues.

But those two really—and again I'm reading you as a combined report, and I take some liberty with that—start to point out a generic failure in both of those systems, one very much under our control and others we've had kind of an off again/on again relationship and sense of responsibility. But it's not working either in terms of the stewardship and of the Treasury.

Mr. RICHARDS. A couple of quick comments, Mr. Chairman.

One, with the BIA, basically, accountability is the question. It's the Secretary's arm that exercises his trust responsibility toward Native Americans, as you know, and it has a myriad of problems, all of which have been well documented. But lack of accountability of that organization is the greatest failure that it has, and before we ever try to start to rebuild it or reorganize it or whatever, we have to restore its accountability.

The CHAIRMAN. My assumption is that accountability sort of runs in 360 degrees. It runs to the Congress, to the Secretary, to the Native Americans and to the taxpayers.

Mr. RICHARDS. Yes, it has to be accountable. And, secondly, with regard to the Territories, we've got to put our minds to this. There has got to be a better way of administering to the Territories and giving them the kind of assistance that they need to be more self-sufficient. The current system and relationship just isn't working.

The CHAIRMAN. With respect to some cases in the Territories we're looking at activity here that is running a fine line on being outright illegal activity. Now we're not talking about interpretations of the law. We're talking in some cases of simply ignoring or choosing not to follow the law as it's currently written with respect to some of the activities in the Territories.

Mr. RICHARDS. Unfortunately, my office and its presence in the Territories is the only dominant presence of the Federal Government. The Department of the Interior has, as you know, general oversight for the Territories. It's the only game in town and things are getting very contentious.

The CHAIRMAN. I agree with you. I mean there is a great deal of responsibility on our part, and by our part I mean the Congress of the United States and eventually the Government of the United States, to decide what is our relationship going to be and what are the rights and responsibilities of people in negotiating that.

To get back to BIA, you know, there is a saying that these arrangements and these treaties and these obligations were long negotiated. It may have been a long time ago, but they weren't arrived at, you know, in a flip manner. They were long and serious negotiations about rights and responsibilities there and we're not carrying those out. In the Trust Territories we haven't quite arrived at even those negotiated settlements.

You know, my wife saw this piece on Hurricane Hugo that you put in your report about the administration of the HHS money and what happened there.

Mr. RICHARDS. The Behavioral Institute.

The CHAIRMAN. Yes, the Behavioral Institute, and at the end of the report she looked at me in kind of silence and she said, "Is that you guys?" [Laughter.]

And I said well it sort of is and it isn't. Staff. [Laughter.]

But I think that's what America is asking about the Congress when you see that kind of activity, and whether it's the responsibility of Interior or HHS or whatever. You know, as they sang all night Inaugural night, Sam Cook, change has got to come here.

Your reports and your work and the stuff that your staff has done, and not just in this Committee, whether it ends up in a Committee hearing or on 60 Minutes is probably the single biggest factor for change of attitudes around here in regard to our respon-

sibilities on the proper administration of these government-wide activities than any other thing that takes place.

I know that you guys take a lot of arrows, but what the hell, just keep taking them, it's in the public interest. I know that's easy to say.

Mr. RICHARDS. Well, like the Secretary, we should probably have a bullet proof striped shirt.

The CHAIRMAN. Yes, or something.

Let me again thank you. We will have additional questions to follow up.

Mr. VENTO. Mr. Chairman, I have a couple of questions.

The CHAIRMAN. I'll recognize Mr. Vento.

There are a couple of questions, but we're just not going to have time to get into them with respect to the two areas of BIA and Trust Territories.

Mr. PEACH. Mr. Chairman.

The CHAIRMAN. Mr. Peach.

Mr. PEACH. One of the areas I thought might be good for you to have on the hearing record as you would close was in the opening comments there was some discussion about some of our work that was critiqued by a consulting firm called Resource Concepts, Incorporated. We had the opportunity to have what I thought was a very thorough hearing before Chairman Vento last year where both that consulting firm had an opportunity to testify and we had an opportunity to testify to discuss our work.

We prepared a very detailed response to that critique along with considerable information regarding who we visited and how we approached our work. We would be glad to furnish that for the record.

The CHAIRMAN. We would appreciate that. [See Appendix].

Mr. PEACH. Yes. We'll make sure we furnish it for the record.

The CHAIRMAN. Thank you.

Mr. Vento.

Mr. VENTO. And for those that read and don't depend on blind faith, this might be helpful, Mr. Chairman. [Laughter.]

I know the Members appreciated your efforts and that dialogue before the Committee at that time because some of these are reoccurring today in the opening statements I note were presented.

I had a couple of questions.

I apologize for being late, Mr. Chairman, I was introducing a witness at another hearing, and I will be brief. The first question is for Mr. Peach: you had the discussion about the number of units in the Park System increasing, and on page 3 at the top of your testimony the cutbacks include deferring maintenance projects, et cetera. Do you have any documentation? All I've got is a periodic press release from the Park Service as to what they are doing in terms of cutting back this year. Did you get an overall report on that or something?

Mr. PEACH. No. That's essentially what we have.

Mr. VENTO. So you're just operating on the press release. I had asked the Department for information on this, Mr. Chairman.

Mr. PEACH. I would add, Mr. Vento, that we were also, and I think Mr. Cotton explained it, Mr. Ridenour came over and spoke

to us a while back and he said the same thing essentially, that they had to cut back.

Mr. VENTO. Well I know that because they said they didn't get as much money as they asked for this year while they have gotten more in past years, but they also have some other techniques that they go through even when they receive money. Sometimes they have Regional assessments and sometimes they have Director assessments on the parks if they don't get the money from the Appropriations Committee.

I was just wondering if there was any documentary record of what they were cutting back in terms of O&M because even though I've asked for information and raised this question, all I've seen is press releases on the subject. They have a tremendous impact on the media and my constituency, but they don't have quite the same impact on me.

Mr. PEACH. We would be glad to make some inquiries for you if you think that would be useful.

Mr. VENTO. No, I think I'll make my own inquiries, and have made my own inquiries on this.

Mr. RICHARDS. Mr. Vento.

Mr. VENTO. Yes, Mr. Richards.

Mr. RICHARDS. If I might offer you——

Mr. VENTO. Some advice. [Laughter.]

Mr. RICHARDS [continuing]. A description from our view inside the agency.

Mr. VENTO. Yes.

Mr. RICHARDS. When the Park Service gets its budget it's like a giant food fight——

[Laughter.]

Mr. RICHARDS [continuing]. To see who gets what, and it's very highly decentralized.

The CHAIRMAN. This is very encouraging testimony here.

Mr. RICHARDS. It's the most powerful parks with the most powerful superintendents and regional directors getting theirs and it dribbles on down.

Mr. VENTO. Well the Appropriations Committee is so jealous of its work in terms of this area and so careful in it that maybe they ought to spend some more time on doing their own work and leave our work to us, Mr. Chairman, which is what we have been encouraging them to do.

In any case, I would just comment. One of the other aspects I noticed in your testimony, Mr. Peach, was on page 6 where you talk about the BLM and its interest in an incentive based grazing fee system to improve the condition of public rangeland.

Again this was something that was talked about. Actually my predecessor that chaired the Subcommittee, Congressman Seiberling and others, had tried to work out really a kind of combination of getting a better stewardship of the land and monitoring that as an alternative, because if you look at the amount of grazing fees and the economic importance of that to States that highly depend upon it, I think some things really have to come to a conclusion or have to be looked at in a different light.

When you were answering my new colleague, Congresswoman English's comments about the hot desert areas for grazing, we had

a hearing on that and we found out that in one instance we had an allotment of 2,500 acres for one cow. Twenty-five hundred acres, I mean that cow has on more miles than my old Chevrolet. [Laughter.]

But in any case, regarding this incentive based grazing issue, did you have actually a plan submitted to you in terms of that, because I'm concerned about the degree of monitoring and the realistic prospects of monitoring.

Mr. PEACH. I think they are good questions. We were looking at the kind of plan that BLM and the Forest Service are proposing, and of course they are proposing an idea that, for example, if you're charged a higher fee and if you submit a plan for improving, you get a 25 percent cut in the price, if you begin to implement the plan, it goes up to a 50 percent cut, and if you have successful implementation of the plan, then you get 75 percent back. Now some of that would be based on monitoring that the agencies would have to do and, as you're aware, they have a shortage in resources for monitoring.

We are also aware that the State of New Mexico, for example, has an incentive grazing fee program. We haven't looked at it, but basically they say it's a much simpler program. They have increased their grazing fee to $4 per animal unit, and then if ranchers improve the land to good or excellent condition, they will get a 25 percent discount on every acre that is improved.

The ranchers themselves are required to hire a consulting firm that has been certified by the state that will look at that land in accordance to Soil Conservation Service standards. So the ranchers pay to get someone to come in to certify that they have made those improvements.

The state says two things about its program. One is they don't have people giving up their grazing allotments now that they have done this, and they've got some 28 ranchers that have applied for the discounts and they think it can catch on more.

They see it as a more simple program because they believe they are getting the government further out of it. The government doesn't do the monitoring. You have some private people who do the monitoring that are trained to a certain standard and certified. They do it according to certain standards and then they test check what is going on with a sample of what is happening to see how that program is working.

But, again, there are different ideas and different approaches that people can come up with and can experiment with. The question is what we have may not be working well now and is there something different we can try.

Mr. VENTO. Well of course you know that the reports that we've gotten back, especially with regard to BLM, was that the management of riparian areas and grazing areas was deficient and while the Forest Service had a better report card on that, but it was not perfect. Of course, the idea is to try and incentivize—if I can use Mr. Kemp's word, do you think it's all right, Mr. Chairman—to incentivize these ranchers to try in fact to do that, and that's what this particular system would do with the less amount of administration or management challenges it would face. So we'll be look-

ing at that New Mexico program, and I appreciate your response to my question to guide me through your testimony.

Mr. Chairman, thank you very much and, as you said, we can submit additional written questions.

The CHAIRMAN. Thank you very much for your time and all of your past work, and we look forward to continuing to work with you.

Thank you.

[The Committee adjourned at 12:48 p.m., subject to the call of the Chair.]

APPENDIX

FEBRUARY 2, 1993

GAO Transition Series
Natural Resource Management Issues
February 2, 1993

Senator Pete V. Domenici

Mr. Chairman, I would like to thank you for providing me the opportunity to present my views at this hearing on Natural Resources Management Issues. As you are aware, I have a long standing interest in the health and protection of our natural resources and their responsible use. Our natural resources are precious and of vital importance to our nation. We can not afford to have them poorly managed. Therefore, we must take care that incoming policy makers have the most complete and accurate information they can get upon which to base policy decisions.

Before you from the Government Accounting Office is a transition report entitled "Natural Resources Management Issues". This report is ostensibly designed to furnish the new administration with an assessment of the present state of our natural resources and the issues surrounding their management. Unfortunately, this report, designed to guide the early steps of the new administration, does not reliably portray the total situation.

The report begins with four alternatives that are available to modify management of our natural resources: (1) Find new sources of funding; (2) Find ways for these agencies to operate more efficiently; (3) Make cutbacks in the services provided; and (4) Reduce the standards for maintaining facilities and lands. Having set out these alternatives, the GAO report then concentrates it solution to one single alternative. The report thereafter presents increased funding/receipts as the total solution to all management problems.

The transition report's primary focus is on increasing funding through either appropriations or some form of increasing receipts. The report recommends additional appropriations for recreation sites and trails, National Park Service staff, land use plan development and

implementation, and more FWS special agents. The report then moves from appropriating more funds, to increased receipts generating activities.

The report recommends additional receipts through activities like: "fair market value" for mineral patents, compensation for hardrock mineral extraction, gaining payback earlier in payback cycles for long-term water contracts, higher recreation user fees, increased livestock grazing fees, and higher user fees for users of the inland waterway.

All of these solutions flow from one basic and obviously false premise: that management problems of government can be corrected by throwing money at them.

Few , if any, of the issues raised in the transition report can be resolved in such a simplistic manner. For example, although raising user fees can increase receipts, there are no assurances that the amount of use will remain constant or increase; thus, the expected receipts may be false.

The majority of the options/recommendations presented in the GAO transition series "Natural Resources Management Issues" are from an annual report published by the Congressional Budget Office (CBO) - "Reducing the Deficit: Spending and Receipts Options. CBO is required by section 202(f) of the Congressional Budget Act of 1974 to submit an annual report to the Senate and House Committees on the Budget.

The GAO transition report often includes CBO cost estimates without formally citing the source of the CBO publication, thus using a broad brushed summary of recommendations for complex issues. Because of this, the transition report does not list the pros and cons as identifed in the CBO report.

The same CBO report that GAO informally cites states the following:

> "The options discussed in this volume present the pros and cons of the various proposals. CBO does not endorse these proposals, nor is the exclusion of any

> proposal an indication of its lessor worth. The purpose of this study is to present the consequences of a broad range of possible changes in current policy in an impartial manner. The decision as to whether to carry out any of them is for elected officials to make.
>
> Virtually all of the options presented here would, in isolation, **reduce employment. Accordingly, this particular drawback is not noted in each discussion."**

As noted above, the CBO report presented options and the consequences of possible changes. Unlike the CBO report, however, the GAO Natural Resources and Management Issues report is merely a broad brush survey of issues which oversimplifies the complexities of the issues involved.

As stated in this document, achieving a balanced solution depends, "to a large degree, on policy decisions;" not a particularly profound statement in and of itself. Given the selective use of data, the partial reiteration of another support agency's analyses, and the almost cavalier summarization of complicated issues, one can legitimately question the validity and utility of such a report. If this report's intended recipient is the new Administration, then one can only hope the soon-to-be appointed staff will assume a more professional approach to and level of comprehension about the management of this country's resources.

In conclusion, this report epitomizes the reasons why Congress is discontented with GAO's work. This report does not assist Congress with its policy making responsibilities because it provides little useful information and little, if any, objectivity. As the so-called federal "watchdog," it is time the GAO recognizes its mandate to provide Congress with substantive analyses and less sophomoric fluff.

I believe the public, and we, in Congress, must raise our expectations and demand more responsible work from this "watchdog."

MAY 12 1992

STATEMENT OF MICHAEL J. PENFOLD, ASSISTANT DIRECTOR, LAND AND RENEWABLE RESOURCES, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR, BEFORE THE SUBCOMMITTEE ON NATIONAL PARKS AND PUBLIC LANDS, COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, UNITED STATES HOUSE OF REPRESENTATIVES, ON GRAZING AND RELATED RANGE MANAGEMENT ISSUES.

I appreciate the opportunity to appear here today to discuss grazing on the public lands and our BLM initiatives for rangeland management.

The Bureau of Land Management (BLM) administers a multitude of resources, from forage for livestock, wild horses, and wildlife habitat to riparian-wetlands and threatened and endangered species habitat. Issues have become more complex, requiring new ideas and new management techniques. Rangeland livestock grazing is not only the basis of an energy-efficient source of food and fiber, but also can be an effective tool for improving vegetation in many situations.

The BLM administers livestock grazing on approximately 165 million acres of public land. More than 17,800 farmers and ranchers graze livestock on these lands comprising 21,800 allotments. This year the grazing fee is $1.92 per Animal Unit Month (AUM). Over the past several years, permittees have used an average of 10.5 million AUM's, annually. Based on our field grazing records, the BLM could authorize approximately 13 million AUM's annually.

The BLM is showing many areas of improvement in the management of the public lands under its multiple use mandate. Much of our public rangeland is in better condition now than has been reported in this century. In 1991, the BLM classified over 60 million acres, accounting for over 35 percent of the rangeland, in "good" to "excellent" condition and about 61 million acres, accounting for another 36 percent, in fair condition. Only 26 million acres or 15 percent were in poor condition. The remainder has not yet been classified.

Since 1989, the acreage in the good and excellent condition categories has increased by approximately 4 million acres. The acreage in poor condition has declined by about 1.5 million acres. More importantly, the trend is stable to improving on 78.7 percent of the BLM range.

We are encouraged by these rewarding results of our efforts, but we are continuing to move forward to further improve rangeland condition. We have identified three objectives that form the foundation for our new rangeland improvement initiative we call "Range of Our Vision." These objectives are to:

- Achieve late seral to potential natural stage on 75 percent of BLM riparian areas by 1997;

- o Increase the area in late seral to potential natural stage to 40 percent or 68 million acres; and

- o Reduce the area in early seral stage to 10 percent or 17 million acres.

The BLM is now establishing task forces and work groups to prepare a new comprehensive strategy document that will serve as the overall strategy for the BLM's rangeland management program and to accomplish the objectives of the Range of Our Vision Initiative.

At BLM Director Jamison's request, the National Public Lands Advisory Council (NPLAC), at its July 1991, meeting, established a Blue Ribbon Panel to review and develop some recommendations for the BLM's rangeland management program that we could consider in developing this new strategy. The NPLAC report, containing a number of findings of the Panel and 33 specific recommendations, was approved March 26, 1992.

These are the major findings of the NPLAC report:

- A National Rangeland Management Plan that clearly defines program goals, objectives and opportunities needs to be developed.

- BLM needs to develop and define a broad-based and ecologically sound rangeland management program which includes all current and future rangeland uses.

- An aggressive internal and external public affairs/ information/outreach program needs to be developed and put into practice.

- BLM needs to establish and follow a clearly defined process to ensure agency and public participation and understanding of the decisionmaking, program implementation, and monitoring processes.

- Rangeland program managers need access to training and current technology.

- Reliable and public supported funding sources need to be established for rangeland program initiatives and maintenance.

We agree that these are worthy objectives and we will utilize them in developing our strategy.

I look forward to discussing our implementation plans with you as we move forward with our initiative.

This exciting new venture will of course be integrated with and supplemented by our continuing efforts to forge cooperative partnerships for projects which bring satisfaction to all parties and improve the lands we manage.

In this regard, we point with pride to our progressive efforts to manage and improve riparian areas. Because riparian-wetland ecosystems do not begin or end at land ownership boundaries, a cooperative management effort is absolutely essential. To be successful, every riparian-wetland management effort requires cooperation and coordination with all affected parties.

Joint funding ventures, such as Challenge Cost Share Funding Programs, permittee contributions, and other private assistance, are excellent approaches to financing high-priority management projects. Such opportunities extend existing funding and confirm effective partnerships.

The BLM has undertaken 682 new projects over the last few years since the riparian-wetland initiative has been in place. We also maintain another 532 projects. Forty-one of these involve a wide variety of partnerships including universities, individuals school classes, State entities, industry associations, and resource oriented public interest groups. This is an example of how partnership efforts are meeting our management goals and

benefiting the rangelands and their natural inhabitants, as well as helping grazing operations.

Managing some of our rangelands that are subject to extremes in climate, soils, and vegetation requires patience. Rainfall and weather extremes are only two of the elements which permittees and Federal rangeland managers must monitor in order to appropriately set the AUM levels to protect public land resources. Throughout the eleven Western States, such adjustments are required regularly. We must maintain the ability to adapt to these changing circumstances.

Permittee cooperation is an essential element in implementing improved grazing management systems. The permit document specifies many actions required of the Federal permittee not normally required in a private grazing lease situation. Permittees are required to maintain fences and other structural improvements that benefit livestock on grazing allotments. In addition, Federal permittees currently maintain many watering facilities or guzzlers on public land. In 1990, BLM grazing permittees spent about $1.5 million on range improvements, or 14 cents per AUM. These facilities serve wildlife as well as the livestock that inhabit their area.

In the West, the relationship between the livestock industry and the availability of public range is important both regionally and locally. In many western communities, livestock farming and ranching operations are the mainstay of the economic base. They provide important socio-economic values as well. The BLM rangeland represents a significant portion of total grazing in some western states. For example, 88 percent of the cattle production in Idaho, 64 percent in Wyoming, and 63 percent in Arizona graze at least part of the year on Federal rangelands.

Management of the public lands by the BLM for livestock grazing has continued to be a source of controversy over recent years both with regard to the condition of the lands and the fees charged for their use.

In the Public Rangelands Improvement Act (PRIA) enacted in 1978, Congress found that "to prevent economic disruption and harm to the western livestock industry, it is in the public interest to charge a fee for livestock grazing permits and leases on the public lands which is based on a formula reflecting annual changes in the costs of production." The formula developed under PRIA was to be used while the Secretaries of the Interior and Agriculture evaluated this formula and other grazing fee options and prepared a grazing fee report. The law was intended to yield increased fees when conditions in the livestock industry improved

and decreased fees when these conditions declined. These provisions of PRIA expired at the end of 1985. Executive Order 12548, issued in February 1986, required continued use of the PRIA formula by the BLM with a minimum rate of $1.35 per AUM, until Congress could act on the alternatives contained in the 1986 report. The Administration continues to use and support the PRIA derived formula.

The 1986 grazing fee report raised a number of issues that were controversial concerning assumptions and methodology used by the Departments of the Interior and Agriculture. There has been much subsequent debate and discussion on these issues, without enactment of a statute to establish a different fee.

In 1991, the Secretaries of the Interior and Agriculture were directed to review and update the information contained in the 1986 report. These directives are found in the Conference Report on the 1992 Appropriations Act for Interior and Related Agencies and contain specific types of information required to be included in the update.

The update of the 1986 fee report was submitted on May 7, 1992. As required, it was prepared with the full participation of the BLM and the Forest Service (FS), the Economic Research Service, and the National Agricultural Statistics Service of the

Department of Agriculture. Along with the updated report, we have included "Highlights of Key Issues and Major Comments" and comments of interested parties.

The appraisal of market value of the public rangeland was the most controversial aspect of the 1986 fee report. The update of this appraisal is controversial as well. A discussion of criticisms of the appraisal is included in the "Highlights of Key Issues and Major Comments." As this discussion points out, it is not an easy task to place a value on the grazing of thousands of tracts of public lands. I ask that as you review the updated appraisal information you keep in mind that, due to methodology, the appraised values are approximations of the value of grazing on a typical allotment. But there is enormous variation in the price of livestock forage and in the terms and conditions of leases in the Western United States. The appraisal also assumes an unconstrained lease market for public land grazing which does not exist.

The costs of range management are also updated in the new fee report. Two approaches to calculating cost are used. One approach is to allocate all appropriated funds to livestock grazing administration. The other approach is to calculate the cost based only on that portion of the appropriation that can be attributed to livestock grazing. Range improvement funds that

are used to invest in riparian, wildlife, and nonlivestock related projects are not included in the cost under the second approach. Also, funds that would be spent on, for example, ecological inventories even in absence of livestock on the public range are excluded. Using this second approach, the BLM's costs for 1990 were $2.18 per AUM. This is about two-thirds of the cost arrived at by allocating all range management appropriations to the livestock grazing program.

Of interest to everyone is the amount of revenue that would be generated under alternative fee structures evaluated in the 1986 report and updated in the revised report. Government revenue is very difficult to project, because we do not know what economists call the "elasticity of demand" for public land forage.

In the update, we have projected that all AUM's would be taken up to the $4.85 per AUM level. To estimate the revenue to the Government, we multiplied this value by the amount of AUM's the BLM sells annually at the current fee. This may not be fully valid. There may be some reduction in the AUM's taken if the fee were to increase to $4.85.

Even under the current grazing fee system about 18 percent of the BLM's AUM's are not purchased or used annually. Part of this

nonuse may be attributable to the current fee being higher than the economic value of the forage.

There has been concern that public land grazing may be benefiting primarily large livestock operators. Since 1982, there has been some increase in the size of livestock operations using BLM grazing lands. However, about 90 percent of the operations remain small, at less than 100 head, or medium, at 100 to 500 head.

The new fee report updated the $1.23 per AUM base value that is used in the present fee system to $2.95 per AUM. The $1.23 per AUM was established as the fair market value of grazing public lands through the 1966 Western Livestock Grazing Survey. It should be noted that the update of the $1.23 base value involved a number of assumptions regarding costs of operating private leases in comparison with costs of operating under public land permits. If these assumptions are not correct, then the $2.95 cannot be interpreted as representing the $1.23 per AUM today.

Any usable grazing fee system must be fair and based on good sound data and analysis. Among other things, it should:

- be equitable to all interested and affected parties;
- be fair to the public, the owner of the land;

- consider economic impact on permittees that must pay the fee and their ability to pay;
- consider the impact on State and local revenue;
- consider the permittees' investments in and contributions to public land;
- provide for adjustments to private land lease rates to reflect maintenance, capital investments, and services provided in these leases and not in public leases; and
- in valuing public lands, give consideration to conditions of use, such as sharing public lands with the other authorized uses that are not required when leasing private land.

The BLM is investigating the feasibility of an incentive based fee system. This is not a new concept. The Secretary informally discussed the concept with the industry about a year ago, and the reaction has been one of open-mindedness.

Basically, the concept, which is still under preliminary review in the Department, would begin with a private lease rate that would be adjusted for such comparability factors as maintenance, services and water availability. As part of this effort, the BLM would consider the possibility of using the strengths of the "appraisal approach" as well as the "economic approach."

Comparability may be determined on a localized basis, perhaps by State or region.

The next step in arriving at an individual fee would be to give credit to the permittee. Examples of activities for which credits might be given include:

- Range improvements
- Water and riparian improvements
- Wildlife and recreation improvements
- Road maintenance requirements
- Improved public access
- Historically responsible management
- Cultural site protection

This type of approach could significantly increase benefits to the public lands. One objective would be to improve permittee cooperation, which is essential to effectuate improved grazing management. Targets for desired improvements in the condition of the BLM's rangeland could be met in a shorter timeframe and at a significant savings in public funds.

The BLM has established a task force headed by the BLM's Associate State Director in Nevada to consider these

As the concept is further developed, the BLM will consult with representatives from the environmental and academic communities and from industry. We will also be working closely with members of Congress as well as the Grazing Advisory Boards. Agriculture Secretary Madigan is aware of these efforts at the Department of the Interior (DOI) and we will consult with the FS as we proceed.

The BLM expects the task force to develop by mid-June initial findings and alternatives on how best to regionalize its efforts and to arrive at methods to determine how to establish and value the credits. Subsequently, the selected alternative will be field tested using information and records of actual allotments. These field tests will not actually implement the alternative, but will involve going through the process to determine how it works, what fee would need to be imposed and what the costs and revenues would have been. We anticipate that this phase will take many months to complete. Results of the testing will be furnished by the BLM to the DOI along with recommendations.

This concludes my statement. I will be pleased to answer questions.

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20240

FEB 16 1993

Honorable Peter A. DeFazio
House of Representatives
Washington, D.C. 20515-3704

Dear Mr. DeFazio:

This letter is in response to the question you raised at the February 2, 1993, hearing before the Subcommittee on Oversight and Investigations, Committee on Natural Resources. Specifically, you asked us to provide information on the basis for board feet and dollar value figures contained in our audit report entitled "Bureau of Land Management Forestry Operations in Western Oregon" (No. 90-105), dated September 26, 1990. In addition, you requested updated value figures using current timber prices.

Our report concluded that on lands that were not involved with the northern spotted owl issue, the Bureau did not perform the planned levels of plantation maintenance, precommercial thinning, fertilization, and timber stand conversion. Consequently, timber growth with an estimated net value of about $90 million in future revenues was lost during fiscal years 1986 through 1989, and annual losses of about $21 million will continue as long as the backlog in plantation maintenance exists. In addition, easements to access about 132,000 acres of timberland had not been acquired by the Bureau of Land Management. These easements were needed to harvest 800 million board feet of mature timber, which would produce an estimated $302 million in revenues when sold. The easements were also needed to manage more effectively additional timberlands that are capable of producing an additional 4.8 billion board feet of timber which could generate $1.8 billion in long-term future timber sales revenues.

In general, the figures in the audit report on acreage and board feet were obtained from the Bureau's Oregon State Office. The values of lost timber growth and inaccessible timber were computed based on Bureau-supplied information showing that the average price that the Bureau realized for first quarter 1990 timber sales for western Oregon was $378 per thousand board feet.

You also requested updated values using current timber prices. Officials at the Bureau's Oregon State Office said that the Bureau has not had any recent timber sales. However, the Bureau provided us with an estimated current price of $425 per thousand board feet, based on information from "Random Lengths," a weekly

publication on the North American forest products market. Based on this information, we estimate that the current value of the timber growth lost from 1986 to 1989 attributable to inadequate forest management would be $104 million and annual timber growth losses would be $24 million. With respect to the easements issue, the current estimate of the value of the 800 million board feet of inaccessible mature timber would be $340 million, and the additional 4.8 billion board feet would have a current value of $2.1 billion.

Our updated figures should be used with discretion because we have not conducted a review to determine the current forest management backlog, nor have we assessed the current status of easement acquisition. However, based on the Bureau's fiscal year 1993 budget estimates, it appears that portions of the backlogs cited in our 1990 report may be reduced by the end of the fiscal year 1993. During fiscal year 1994, we plan to conduct an in-depth followup review of the Bureau's western Oregon forestry operations.

If you have any further questions regarding this matter, please contact me or Ms. Joyce Fleischman, Deputy Inspector General, at (202) 208-5745.

Sincerely,

James R. Richards

James R. Richards
Inspector General

bcc: IG Subject/Reading
IG/DIG Chron.
AIGA
CRO-Klein/Coster
DO-Romanyshyn
AD Chron.

Reference: Report No. 90-105

GAO

Response to Congressional Requesters

RANGELAND MANAGEMENT

Assessment of Nevada Consulting Firm's Critique of Three GAO Reports

GAO/RCED-92-178R United States General Accounting Office

GAO

United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-248330

May 4, 1992

Congressional Requesters

The Chairman of the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs, and 16 Senators asked GAO to review a January 1992 report by a Nevada consulting firm entitled A Technical Review of U. S. General Accounting Office Rangeland Management and Public Rangelands Reports 1988-1990 and respond to the report's critique of three GAO reports, two of which were issued in June 1988 and one of which was issued in August 1990.[1] The GAO reports addressed programs and activities of the Department of the Interior's Bureau of Land Management (BLM) and the Department of Agriculture's Forest Service to manage the western public rangeland. This correspondence responds to these requests.

We have carefully reviewed both the consulting firm's critique of our reports and our adherence to GAO standards, policies, and procedures. We are confident that our work was performed with due professional care consistent with generally accepted government auditing standards and that our findings are well supported, our conclusions flow logically from the facts, and our recommendations offer reasonable suggestions for addressing the problems we identified.

Appendixes I through III contain our point-by-point responses to the specific charges made in the consulting firm's report. For each GAO report, the consulting firm also highlighted what appeared to be its primary criticisms. These criticisms are discussed below, along with our responses.

Regarding our report on declining and overstocked grazing allotments, the consulting firm claimed that we created an unduly negative picture of rangeland conditions and placed undue emphasis on livestock overgrazing as a cause of declining conditions. We disagree. Our report presented a balanced picture of rangeland conditions and trends based substantially on almost 800 questionnaire responses completed by BLM and Forest Service range managers directly responsible for specific grazing allotments. Our report fully disclosed the amount of land in each land condition category and the amount of land that was declining, stable, or

[1]See Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments (GAO/RCED-88-80, June 10, 1988), Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow (GAO/RCED-88-105, June 30, 1988), and Rangeland Management: Improvements Needed in Federal Wild Horse Program (GAO/RCED-90-110, Aug. 20, 1990).

improving. Our report then focused on the grazing allotments that were declining and/or overgrazed because (1) our analysis of range managers' responses demonstrated that overgrazing was the most prevalent cause of declining rangeland conditions; (2) overgrazing can seriously, even permanently, damage the land; and (3) overgrazing is a problem that the agencies can address.

Regarding our report on riparian area restoration, the consulting firm asserted that we prepared our report on the basis of selective, unverified anecdotal information that led us to overstate the magnitude of riparian area restoration needs. It also claimed that we identified livestock overgrazing as the sole source of riparian area damage. These assertions are inconsistent with the facts. Our review included field visits and analysis of a large portion of the riparian restoration projects that had been undertaken at that time. Furthermore, we did not limit our review to an examination of individual projects. To verify that our findings were representative of conditions on public land throughout the West, we examined available agency riparian condition inventory data and interviewed agency experts. This work showed that tens of thousands of miles of riparian areas on public rangeland in the West are in need of restoration. Also, our report identified other activities, such as logging and mining, that can contribute to riparian degradation. However, the report focused on livestock grazing because BLM and Forest Service managers repeatedly stressed that the primary, and in many cases only, cause of damage to rangeland riparian areas is poorly managed domestic livestock grazing.

Regarding our report on the federal wild horse program, the consulting firm asserted that we did not bring to light inadequacies in program management because we focused on problems relating to livestock grazing. This assertion is false. Our report included a substantial discussion of management problems associated with program elements that have no relationship to livestock grazing, including the wild horse adoption program, wild horse sanctuary operations, and the prison halter training program. We devoted substantially more discussion to these issues than to the comparative effects of wild horses and domestic livestock on range conditions. We discussed livestock grazing in our report because during our work it became clear that unsatisfactory range conditions cannot be widely improved by concentrating on wild horse management alone. Domestic livestock substantially outnumber wild horses on the range and consume more forage even in states where wild horse concentrations are highest. Accordingly, we concluded that any

rational range management and range restoration strategy must take into account grazing by domestic livestock as well as by wild horses.

Although each of our reports can stand on its own merits, it is important to note that a number of others have issued reports or reached conclusions similar to ours. These include those by or for Interior's Inspector General, Board of Land Appeals,[2] Wild Horse and Burro Advisory Board, Fish and Wildlife Service, and National Fish and Wildlife Foundation;[3] the Environmental Protection Agency; the President's Council on Environmental Quality; and the Bonneville Power Administration. The State of Nevada's Department of Wildlife has also commented favorably on the quality of our work.

Likewise, both BLM and the Forest Service have recognized the need to address the issues raised in our reports and are taking actions to implement many of our recommendations. For example, the Forest Service has found that nearly one out of every four grazing allotments in its six western regions is considered to be in a declining condition and/or overstocked—a level that is consistent with the data cited in our report—and has developed a detailed action plan for addressing the problem allotments. Similarly, in a December 11, 1991, letter to GAO, the Director of BLM stated:

> Your June 1988 report on our [BLM's] riparian management program was one of GAO's more comprehensive and expert studies of a very relevant issue. While we had some disagreements on a few issues at the time the GAO report was issued, essentially, all of the report's recommendations have been implemented.

BLM and the Forest Service are also in the process of collecting and analyzing the monitoring data needed to make informed grazing decisions, as we recommended.

The validity of our findings, conclusions, and recommendations results from the fundamental soundness of the way we approached and carried out our work:

- We employed proven evaluation methodologies—including statistical sampling, questionnaires, and site visits—to ensure that (1) our findings

[2]The Interior Board of Land Appeals, as part of Interior's Office of Hearings and Appeals, has quasi-judicial and appellate responsibilities for cases brought against BLM.

[3]The National Fish and Wildlife Foundation was established in 1984 to encourage and administer donations of real or personal property in support of activities initiated for the benefit of fish, wildlife, and plant resources. It receives federal funding through a matching grant program.

were based on the best information available at the time we performed our work and (2) technical judgments on such things as the environmental impacts of livestock and wild horse grazing were made by experienced BLM and Forest Service personnel and other knowledgeable individuals, thereby avoiding reliance on GAO's opinions and judgments on technical matters.

- We assessed the agencies' management performance against applicable laws, such as the Federal Land Policy and Management Act and the Public Rangelands Improvement Act, as well as agency regulations and judicial decisions.
- We assigned staff to each of the reviews who (1) had years and, in most instances, more than a decade of experience in evaluating federal programs and activities; (2) collectively possessed the professional proficiency for the tasks required; and (3) were free from any impairments to their independence, such as ties to livestock grazing or public land management interests.
- We subjected drafts of each report to GAO's rigorous internal quality control review procedures, during which (1) an independent, qualified professional not associated with the assignment reviewed the evidence and assessed the support for the findings, conclusions, and recommendations; (2) other qualified professionals also not associated with the assignment evaluated such things as the overall quality of the draft, its consistency with GAO reporting policies and standards, its clarity and tone of presentation, the soundness and convincingness of the positions taken, the constructiveness of the recommendations made, and the responsiveness to the congressional request; and (3) concurrences were obtained, when necessary, from offices within GAO responsible for legal and policy issues.
- We held exit conferences with BLM and Forest Service headquarters and field office officials responsible for the programs or activities being evaluated to discuss the facts disclosed by our work and the implications flowing from them. In addition, we obtained written agency comments on drafts of each report. These comments and our evaluations of them were fully disclosed in the final reports along with changes made to the reports in response to the comments. As previously indicated, both BLM and the Forest Service have accepted the need for management improvements and have taken steps to implement our recommendations.

Our review of the consulting firm's critique showed that, in contrast to our reports, which contain factual information and other data to support our findings, the firm's critique contains little factual data to substantiate its assertions. Instead, the firm's critique misrepresents our reports' findings

to support its positions and challenges the manner in which we presented the facts and the implications that we drew from them.

We recognize that recent initiatives to achieve more balanced stewardship of the public rangeland for the benefit of all users are controversial because they challenge longstanding claims to the control and use of the public land. Our role has been and will continue to be to provide the Congress with objective information on this issue and with constructive options and/or recommendations for improving public rangeland management.

Additional information requested by the 16 Senators relating to the documents we reviewed and the individuals we contacted in preparing our three reports will be provided to each of the requesters under separate cover. The names of the Members of Congress who requested this review are listed at the end of this letter.

J. Dexter Peach
Assistant Comptroller General

List of Requesters

The Honorable Bruce F. Vento
Chairman, Subcommittee on National Parks and Public Lands
Committee on Interior and Insular Affairs
House of Representatives

The Honorable Hank Brown
The Honorable Richard H. Bryan
The Honorable Quentin N. Burdick
The Honorable Conrad Burns
The Honorable Kent Conrad
The Honorable Larry E. Craig
The Honorable Thomas A. Daschle
The Honorable Dennis DeConcini
The Honorable Pete V. Domenici
The Honorable Slade Gorton
The Honorable Orrin G. Hatch
The Honorable John McCain
The Honorable Bob Packwood
The Honorable Harry M. Reid
The Honorable Steve Symms
The Honorable Malcolm Wallop
United States Senate

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Abbreviations

BLM	Bureau of Land Management
FLPMA	Federal Land Policy and Management Act
GAO	U.S. General Accounting Office
PRIA	Public Rangelands Improvement Act

Appendix I

Specific GAO Responses to Criticisms of GAO Report on Declining and Overstocked Grazing Allotments

The following are GAO's responses to the specific assertions in the consulting firm's critique of our report Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments (GAO/RCED-88-80, June 10, 1988). The numbered comments are keyed to an annotated version of the applicable section of the consulting firm's report, which is reproduced on pages 22-26.

1. The consulting firm's criticism of our reliance on the professional views of federal range managers in preparing our report on the condition of the public lands is unfounded. Range condition and trend data for much of the public rangeland are not reliable because up-to-date monitoring data are not available. Concerned about the reliability of the information that was available, we asked professional staff—those assigned responsibility for managing the public rangeland—at Forest Service and Bureau of Land Management (BLM) field offices for their professional opinions on range conditions and trends. (This methodology was fully disclosed in our report.) Our questionnaire asked that the person most knowledgeable about the specific allotment complete the questionnaire and further asked that the respondent consult with other specialists as necessary in preparing the responses. After receiving these responses, we telephoned the respondents when further clarification of the responses was necessary. Finally, we visited 14 BLM field offices and 6 Forest Service field offices to verify and supplement the questionnaire responses. By obtaining information on about 800 allotments from the agency personnel responsible for managing them, carefully reviewing the data, and then verifying the information at 20 field offices, we exercised due professional care to ensure that the information we used and presented was the best available.

2. Contrary to the consulting firm's assertion, overstocking was not the only questionnaire response addressed in our report. The questionnaire asked for well over 100 data items to obtain a full range of information for each sampled allotment. This information included condition, trends, causes for reported conditions, and many other factors. The results were summarized in 12 tables, in chapters 2 through 5 of our report, and covered a broad range of topics, not just overstocking. Seven of the 12 tables (3.1 on p. 27, 3.2 on p. 27, 3.3 on p. 28, 4.3 on p. 36, 5.1 on p. 42, 5.2 on p. 44, 5.3 on p. 45) did present data that dealt in whole or in part with overstocking as an issue because, as we conducted our analysis of the questionnaire responses, overstocking emerged as a significant factor contributing to declining range trends. As table 3.2 on page 27 of our report shows, overstocked allotments had a four times greater chance of

being in decline than allotments that were not overstocked. Because this difference is so large and because overgrazing can lead to serious, even irreparable, damage to the resource base, we believe that our focus on this issue was appropriate not only in the tables but in our conclusions and recommendations as well.

3. Although all of the factors mentioned by the consulting firm (and included in our questionnaire) influence the condition and trends of the public rangeland, range managers cited overstocking (allowing more livestock to graze than the overall land area can support), and livestock distribution problems (livestock overgrazing on specific parts of the allotment) as the most prevalent causes of declining rangeland conditions. Hence, the focus of our report on overgrazing was consistent with the responses we received.

4. Our report's treatment of the questionnaire responses we received was appropriate. Acts of nature (fire, floods, drought, etc.) were cited by agency land managers about 36 percent as often as overgrazing (overstocking or livestock distribution problems on individual allotments) as a reason for ecological range decline; wildlife was cited 13 percent as often; mining was cited 4 percent as often; and wild horses and burros were cited 1 percent as often. Thus, while these other factors can have a negative influence on range conditions, they each played a significantly smaller role than overgrazing. Moreover, unlike factors such as fire, floods, and drought, overgrazing is within the control of the land management agencies.

5. Our methodology for soliciting range managers' views on allotment conditions was sound and the results of the questionnaires are meaningful. The consulting firm's suggestion that BLM managers are not a valuable source of information on range condition is unfounded. In sending our questionnaire to the agencies' field offices, we asked that the person most knowledgeable about the specific allotment complete the questionnaire and suggested that the respondent consult with other range specialists as necessary. The person filling out the questionnaire was asked to disclose how long he/she had been on the field office's range staff and how familiar he/she was with the allotment covered by the questionnaire. About 94 percent of the range specialists responded that they were familiar with the allotment, and 81 percent responded that they had moderate to very great familiarity with it. Only 6 percent responded that they had little or no familiarity with the specific allotment. Furthermore, 65 percent responded that they had been on the field office range staff for more than 5 years. In

chapters 2, 3, and 5, we recognize that data on the condition of the public rangeland are far from complete and that range managers face a formidable task in managing and monitoring their grazing allotments. The results of our questionnaire are presented within this context.

As we stated on page 17 of our report, we chose the questionnaire approach because it was impractical to visit more than a small number of the several hundred field offices where records are maintained and the staff responsible for carrying out the range management programs are located. To ensure that our questionnaire was well focused and appropriately constructed, we sought advice from a variety of sources, including a range research scientist at the University of Nevada, BLM's Rangeland Resources Division Chief, and range staff at BLM and Forest Service headquarters and field offices. The questionnaire we used was pretested at several BLM and Forest Service field offices, and many of the revisions suggested by range managers were incorporated into the final questionnaire.

6. We disagree with the consultant's claim that the responsible agency range managers are not in a position to offer professional judgments on the land's condition. Our questionnaire asked for allotment-specific information from the person who was most knowledgeable about the specific allotment. The respondents were professional range staff who were responsible for the management of the land in question. As discussed earlier, we invested considerable effort to ensure that the data presented were checked for accuracy and were the best available.

7. This statement by the consulting firm misrepresents our report. We did not characterize the lack of information on range conditions as "alarming," as the firm states. On page 20 of our 1988 report we stated that range managers reported that (1) 8 percent of the public rangeland grazing allotments were declining and (2) this fact was cause for alarm because recovery from damage to rangeland can be slow and, in some cases, irreversible. In comment 19 below, we provide an example of the serious and even permanent damage that can be caused by overgrazing. Contrary to the consultant's portrayal, our report recognizes on page 25 that it would be unrealistic to expect the agencies to maintain current, in-depth information on all grazing allotments, given the resources assigned to this work. We further elaborate on this recognition on page 39, where we discuss the magnitude of the range monitoring task. While we did not assert that the lack of data was alarming, others have. For example, in his paper on rangelands presented at a November 1988 conference on natural

resources for the 21st century, the recognized and frequently cited range expert Dr. Thadis Box stated:

> Even more alarming is the revelation that the condition of more than a fourth of our rangeland is simply unknown, that another 40 percent of the data reported is more than 10 years old, and that more than half of grazing allotments do not have management plans. . . .

8. As a general rule, knowledge of range conditions is pertinent for the management of the public rangeland. This was recognized in the Public Rangelands Improvement Act (PRIA). The act found that vast segments of the public rangeland were in unsatisfactory condition and that these conditions presented a high risk of soil loss, desertification, and a host of other negative effects. On the basis of these findings, the act directed the Secretaries of the Interior and Agriculture to update, develop, and maintain an inventory of range conditions and records of range condition trends. We do recognize that for isolated allotments with limited grazing activity, it may be difficult to maintain a current inventory.

9. As the consulting firm states, our report recognized that resource constraints limit rangeland management activity. This fact, in conjunction with the fact that overgrazing can seriously damage the public rangeland, led us to recommend that the agencies focus their limited resources on grazing allotments that are declining and/or overstocked. The Forest Service and BLM agreed with the recommendations in our final report and have taken action on them.

10. Our report did not exaggerate the results of our questionnaire. On pages 22-24 of our report, we fully and fairly disclosed information on range conditions and trends from both of the agencies' most recent reports and from our questionnaire. We discussed the reliability and limitations of the data presented, as well as the upper and lower limits of the projections we made on the basis of our questionnaire responses at the 95-percent confidence level. Thus, our presentation of these data left no room to exaggerate the results. In fact, in discussing the overall trend of range conditions (in the executive summary and in the body of our report) we focused on the 8-percent decline reported to us by range managers (a 7-percent decline reported by BLM and a 9-percent decline by the Forest Service), rather than the 14-percent decline that BLM and the Forest Service had self-reported in their respective 1986 and 1987 reports. Our reporting of the lower figure (8 percent) could be viewed as conservative rather than as exaggerated. Subsequently, in 1990, the Forest Service reported that 24 percent of their allotments were declining and/or overstocked, and BLM

reported that over 11 percent of their rangeland was in a downward trend—figures that are again higher than those cited in our report.

11. As we stated on page 20 of our 1988 report, the fact that 8 percent of the public rangeland grazing allotments were in decline was not alone cause for alarm, but rather that recovery from damage can be slow and, in some cases, irreversible. (See also our responses to comments 13 and 19 below.)

12. Our statement that overgrazing can cause serious and even permanent damage to range conditions is not a contention, but a well-established fact. Although scientific records on the condition of western rangeland in the early 1800s are not available, historical accounts suggest that much of the range was made up of productive, nutritious grasses. Recognizing the opportunities afforded by this apparent abundance, livestock growers brought herds of cattle and sheep in uncontrolled numbers to the public land in the West. Some 19th century observers, such as John Wesley Powell, warned that, because of the arid climate, this rangeland was actually quite fragile and incapable of supporting excessive livestock grazing without severe damage. By the late 1880s, about 19 million cattle and sheep were grazing in the arid West. The resulting overgrazing, together with periodic droughts, permanently changed the face of this rangeland. By the early 1900s, much of the once productive land had been reduced to a desertlike state.

In 1906, the Forest Service started a permit system to regulate grazing. In 1934, the Taylor Grazing Act established a permit system, a purpose of which was to prevent further overgrazing on BLM land. In 1978, PRIA recognized that vast segments of the public rangeland were still in unsatisfactory condition and stated that such conditions (1) present a high risk of soil loss, desertification, and a resultant underproductivity for large acreages of the public land; (2) contribute significantly to unacceptable levels of siltation and salinity in major western watersheds, including the Colorado River; (3) negatively impact the quality and availability of scarce western water supplies; (4) threaten important and frequently critical fish and wildlife habitat; (5) prevent expansion of the forage resource and resulting benefits to livestock and wildlife production; (6) increase surface runoff and flood danger; (7) reduce the value of such lands for recreational and esthetic purposes; and (8) may ultimately lead to unpredictable and undesirable long-term local and regional climatic and economic changes.

Our report disclosed that range trends in recent years have been generally stable to improving. In fact, the statistics cited by the consulting firm were drawn from our report. Nevertheless, we believe that we focused our report appropriately on actions that can be taken to mitigate further deterioration of declining and overstocked grazing allotments because damage to the resource can be long-term or permanent. While these lands play a relatively small role in the production of meat products today, they may be important to future generations. The theme of our report and recommendations was not that these resources should not be used, but rather that BLM and the Forest Service needed to take the actions necessary to ensure that the resources are not abused and are preserved for future generations. The basis for this theme is not a GAO assertion, but rather the legislative mandate of the Federal Land Policy and Management Act (FLPMA), which prescribed that the public land be managed so as to sustain its productive capacity in perpetuity.

13. We disagree that a downward trend of 8 percent is either satisfactory or reason for little concern, particularly when much of the decline is due to human activities. As discussed in comments 3 and 4, while several factors influence range trends, overgrazing was cited as the most prevalent cause of declining range conditions. Damage to arid rangeland can result in serious, even permanent, damage to the resource base. For example, in a July 1990 report to the Environmental Protection Agency entitled Livestock Grazing on Western Riparian Areas, several prominent experts in the field of riparian area restoration reported:

> The extensive deterioration of western riparian areas began with severe overgrazing in the late nineteenth and early twentieth centuries. Native perennial grasses were virtually eliminated from vast areas and replaced by sagebrush, rabbitbrush, mesquite or juniper, and by exotic plants or shallow-rooted native vegetation less suited for holding soils in place. This unleashed natural forces that literally transformed large areas of the western landscape.
>
> Exposed topsoil thousands of years in the making was quickly stripped from the land by wind and water erosion. Runoff was concentrated and accelerated. Unchecked flood flows eroded unprotected streambanks and downcut streambeds. Water tables lowered. Perennial streams became intermittent or dry during most of the year. Formerly productive riparian areas dried out or eroded away. These conditions contributed significantly to desertification—drying out of the land—which has reduced the productivity of an estimated 225 million acres in the West.

In 1980 the United States Department of Agriculture estimated the vegetation on more than half of all western rangelands was deteriorated to less than 40% of potential productivity, and to less than 60% of potential on more than 85% of the rangeland.

In response to our report's recommendations, the Forest Service independently surveyed all of its grazing allotments to identify allotments judged to be declining and overstocked. The results corroborated the information we had reported and confirmed that the emphasis we had placed on declining and overstocked allotments was appropriate.

14. Our review work and report were not based exclusively on the questionnaire. We also reviewed grazing files and extensively discussed individual grazing allotments and grazing practices in general with agency staff at 20 field offices and with both agencies' headquarters staff. Although we reported the questionnaire results in the terms used in the questionnaire, we used other terms to describe the meaning and implications of the data. These observations were based not only on the questionnaire results but also on additional information obtained from in-depth discussions with agency personnel. For example, on page 27 of our report, we reported that, according to survey responses, range managers believed that 18 percent of BLM's and 21 percent of the Forest Service's allotments were overstocked. We then supplemented these data with a brief statement of what the data meant—that one out of five grazing allotments was potentially subject to deterioration because of overgrazing. Table 3.2 substantiated this interpretative statement, showing that overstocked allotments had a four times greater incidence of decline than all other allotments—information that was not known until we obtained and analyzed the questionnaire data. According to the consulting firm, describing these results in terms such as "threatened with further deterioration" constitutes a "sensationalized description." We disagree. Both FLPMA and PRIA describe concerns about the public rangeland in terms of deterioration. Finally, it has long been recognized that overgrazing leads to rangeland deterioration. On the basis of our work and the work of others on the negative effects of overgrazing, we believe that our report in no way presented a sensationalized description of rangeland conditions.

15. Although we agree that endangered species, riparian demands, critical wildlife habitat, wild horses, and other range uses all enter into range management decision-making, we were emphasizing in our report that one way of dealing with overgrazed and declining allotments is through range improvements. Improvements such as fences, water development, and seeding can increase the capacity of the land for livestock grazing. The

data showed, however, that declining and overstocked allotments were receiving about the same relative share of range improvement funding as other allotments.

While the consulting firm characterized our reporting of this fact as nonconstructive criticism, BLM agreed with our final report recommendation on the need to better focus range improvements on declining and overstocked allotments. Furthermore, the Forest Service stated that it would try to ensure balance between maintaining satisfactory conditions in some areas and correcting unsatisfactory conditions in other areas. The Forest Service noted, however, that more improvements were not always the answer and that in some situations the Forest Service simply needed to reduce or eliminate grazing.

16. Contrary to the consulting firm's suggestion, our report fully disclosed the percentage of allotments that were understocked. Table 4.3 on page 36 broke out the percentage of rangeland that was understocked, properly stocked, and overstocked. As stated previously, we focused our report on the allotments that were declining and overstocked because such allotments are vulnerable to further deterioration. In the context of FLPMA's and PRIA's mandates, land that is declining because of controllable activities certainly merits concern and added attention.

17. The assertion that we exaggerated questionnaire results misrepresents our report and is not supported by the facts. In response to our questionnaire, BLM range managers reported that 18 percent of their allotments were overstocked, and the Forest Service reported that 21 percent of their allotments were overstocked. Overgrazing has long been recognized as a major cause of rangeland deterioration. As we indicated in comment 13 above, overgrazing has been linked to rangeland deterioration for almost a century. Since overgrazing has historically been linked to rangeland decline, it is quite reasonable to conclude that overstocked allotments continue to be subject to or threatened by deterioration. Consequently, our reporting on this matter did not exaggerate the facts. As table 3.2 on page 27 of our report shows, the respondents to our questionnaire indicated that there was a significant link between overstocking and rangeland decline.

18. The allegation that we obscured information on BLM land that was stable or improving is simply not true. Our 1988 report (see pp. 22-24) clearly presents information on the condition and trend of the public

rangeland from the results of our questionnaires and from the agencies' most recent reports available at the time of our review.

19. The consulting firm states that the phrase "serious and even permanent damage" used in our report is vague and unduly alarms the report's reader. We believe that this phrasing is entirely appropriate because overgrazing has caused and can continue to cause serious and even permanent damage to the land. The following excerpts from the Council on Environmental Quality's 1981 report entitled Desertification of the United States illustrates the type of damage that overgrazing can cause:

The Rio Puerco [Basin in New Mexico] is, indeed, one of the most eroded and overgrazed river basins in the arid West . . . .

Near the turn of the century, . . . a process of desiccation and erosion had already begun, a process from which the Rio Puerco has yet to recover . . . .

[According to paleobotanist Vorsila Bohrer] Historic overgrazing has created extremely dry conditions for plants due to the removal of litter, loss of soil cover, and the trampling of the ground that prohibits rainfall from reaching the roots of plants . . . .

Climatic change of some sort may have initiated the arroyo cutting, but the damage done by livestock made the land much more vulnerable to erosion once it had begun. Perhaps, therefore, the arroyo cutting has been more severe and longer lasting than it would have been in prelivestock times . . . .

Even though livestock grazing in the Rio Puerco has been reduced significantly since earlier in the century, the land has not yet stabilized. In 1975 the BLM conducted a resource inventory of the public land in the Rio Puerco. It discovered "that forage capacity was inadequate to support overall livestock numbers permitted under the specified grazing privileges." The BLM estimated that 55 percent of the area (270,170 acres) was undergoing "moderate" to "severe" soil erosion . . . .

Instability also characterizes the vegetation of the area. For example, broom snakeweed has invaded some 16,000 acres of deteriorated shortgrass and has become established as the dominant species . . . . Overall, the BLM projects [as of 1981] that the vegetation in the Rio Puerco in "poor" condition will increase from 85,551 acres to 170,703 by the year 2000 . . . . Moreover, it projects that the land suffering "moderate" to "severe" soil erosion will increase to 360,554 acres—73 percent of the public land here . . . .

If the land and plants here finally do stabilize, three factors militate against the swift return of the Rio Puerco to its pregrazing richness. First, . . . the Rio Puerco is a dry area with average annual precipitation ranging from 9 to 14 inches. Dry land recovers very slowly

from abuse. Second, the massive soil erosion that has occurred here over the last 100 years has exposed soils that are less able to support plant life because of their lower organic content. And third, invader species such as broom snakeweed have already become well established because of the competitive edge grazing has given them over more palatable species. They will not disappear naturally. Massive intervention by humans will be necessary if they are to be rooted out and replaced by native species.

This example illustrates that serious and even permanent damage can occur from overgrazing and goes to the heart of our report's message. Because overgrazing can cause serious ecological problems, we recommended that the areas vulnerable to this problem be identified and that appropriate preventative or corrective action be taken. While remedial corrective actions can be taken after damage has been done, they can be very costly, may take decades to complete, and may never fully remediate the damage.

20. Precisely because we realized that we needed professional judgment and knowledge of site-specific resources, we obtained information from the professional range managers responsible for specific grazing allotments through our questionnaire.

21. We disagree with the consulting firm's assertion that GAO does not have an understanding of the legal requirements for maintaining an inventory of range resources. While FLPMA directed that all resources of the public land be inventoried, PRIA specifically addressed the range inventory requirements for the public rangeland. PRIA required the Secretaries of the Interior and Agriculture to update, develop, and maintain on a continuing basis thereafter an inventory of range conditions and record of trends of range conditions on the public rangeland, and to categorize or identify such land on the basis of range conditions and trends. This law further required that such inventories be kept current on a regular basis to reflect changes in range conditions. Thus, the maintenance of an inventory and its categorization of the public rangeland are statutory requirements.

Our report shows that nearly a decade after the PRIA requirements were put in place, current range conditions were not known for 28 percent of BLM's and 23 percent of the Forest Service's public rangeland included in our survey. Our report also recognized the magnitude of the task on pages 21, 25, and 39 and presented the data within this context.

Contrary to the consulting firm's views, our report demonstrates a thorough understanding of range requirements and practices. In this

context, we fully reported the criteria (p. 12), definitions (pp. 22 and 23), actual situation (ch. 2), and limitations (pp. 21, 25, and 39) of maintaining a current inventory of range conditions.

22. The definitions of rangeland conditions used in our report were not devised by GAO. The definitions used were those employed by BLM and the Forest Service and are shown in our report in the footnote on page 22 for BLM and on page 23 for the Forest Service.

23. The consulting firm misrepresents our report. We did not report range condition using the terms "satisfactory" and "unsatisfactory," as the consulting firm states. We reported range condition using the definitions and terms used by the agencies themselves. (See ch. 2.) It should be noted, however, that BLM has historically used the term "satisfactory" to define range in "excellent" or "good" condition, and "unsatisfactory" to define range in "fair" or "poor" condition. Moreover, PRIA refers to land whose productive capacity has been diminished as "unsatisfactory."

24. Contrary to the consulting firm's implication, we fully understand the definition of potential natural community. In fact, the definitions to which the consulting firm refers appear on pages 22 and 23 of our report. We also recognize that the site-specific definition of potential natural community is subject to interpretation. This is why we asked range managers to provide their professional opinions on the condition of the specific grazing allotments for which they had responsibility.

25. We disagree with the consulting firm's assertion that we were incorrect in stating that upward or downward trend in range condition indicates whether rangeland is moving toward or away from specific management objectives. The definition that the consulting firm disputes is included in the footnote on page 20 of our report. The definition of range trend that the consulting firm claims is incorrect is contained in BLM Manual Handbook 4400-1, entitled Rangeland Monitoring and Evaluation. Specifically, the handbook states:

> Trend studies are important in the long term for determining the effectiveness of management actions toward meeting vegetation management objectives. Trend refers to the direction of change and indicates whether rangeland vegetation is being maintained or is moving toward or away from the desired plant community or toward or away from other specific vegetation management objectives [underscoring added].

While the consulting firm contends that trend refers only to changes toward or away from potential natural community, BLM's handbook states that trend also refers to whether vegetation is moving (1) toward or away from the desired plant community (which may be substantially different from the potential natural community) and (2) toward or away from other specific vegetation management objectives (which may also be substantially different from the potential natural community).

26. Our report did not, as the consulting firm's report implies, suggest the need for annual assessments of range condition. In fact, on pages 25 and 39 we specifically recognize that it would be unrealistic to expect that BLM and the Forest Service could maintain current, in-depth information on all grazing allotments. We disagree with the consulting firm that assessments of range condition divert management attention from important tasks such as monitoring. Gathering vegetation information on range condition and trend is an integral component of range monitoring. BLM's Rangeland Monitoring and Evaluation Manual states that trend monitoring is important for determining the effectiveness of management actions towards meeting desired plant community or other specific vegetation management objectives.

The consulting firm's statement that 10-year-old assessments of range conditions are up to date is not shared by all rangeland experts. As stated earlier, Dr. Thadis Box has referred to the large volume of range condition data that are more than 10 years old as an "alarming revelation." The uncertain reliability of public rangeland condition and trend data is discussed on pages 20 and 21 of our report.

Finally, the consulting firm's criticism reflects an internal inconsistency in its report. In this instance, the firm claims that assessments that are 10 years old are recent. However, in criticizing our 1990 report on wild horses, the consulting firm states that information we used, which was compiled in 1988, was "out of date."

TECH. REVIEW OF GAO RANGELAND REPORTS CASE I

CASE I. MORE EMPHASIS NEEDED ON DECLINING AND OVERSTOCKED GRAZING ALLOTMENTS. GAO/RCED 88-80. JUNE 10, 1988.

The GAO statistics given in this report were compiled from a lengthy questionnaire sent to Bureau of Land Management (BLM) and Forest Service (FS) field personnel. More than 25 percent of the questions on the survey began with the phrase *In your opinion.* All of the data generated from the questionnaire regarding the status of range condition and trend were based upon the *opinion* of the respondent.

See comment 1.

SELECTED QUESTIONNAIRE RESPONSES REPORTED BY GAO RESULTED IN A SLANTED VIEW OF RANGELANDS.

See comment 2.

- **ALTHOUGH THE QUESTIONNAIRE ASKED ABOUT MANY CONTRIBUTING FACTORS REGARDING RANGE CONDITION, THE ONLY QUESTIONNAIRE RESPONSE ADDRESSED IN THE GAO REPORT WAS OVERSTOCKING.**

The questionnaire asked about many factors: **overstocking, livestock distribution, wildlife, wild horses/burros, roads/development, mining/oil/gas operations, recreational activity, acts of nature (fire, floods, droughts, etc.), Noxious [farm] weed infestation, insect infestation, and other,** but reported only on overstocking. GAO was requested to assess the progress that BLM and FS were making to improve public rangeland conditions. An objective analysis of range condition must take into account all factors that interact to affect vegetation such as precipitation, soils, insects, as well as land uses (1, 10, 11, 12, 14, 18, 19, 20, 21, 22, 26, 27, 31, 39, 40, 41, 54). The GAO report focused entirely on the element of livestock grazing, producing an unrealistic portrayal of range condition as if it were only influenced by grazing. It

See comment 3.

is unrealistic to assume that no influence other than grazing affected range condition, in either a positive or negative manner.

Other technical issues that should have been addressed include the fact that the 1987-88 GAO investigation was conducted following one of the most devastating wildfire years ever recorded. **In 1985 three million acres in the West were burned by wildfire (15). Since that time much of the West has been under drought conditions with rangelands receiving less than 50 percent of normal precipitation in some years.** Open pit mining, for gold in particular, has had recent widespread impacts on rangeland particularly throughout Nevada. Wild horse populations have reached extremely high levels and continue to expand at exponential rates. In parts of Utah and Colorado, elk herds have expanded far beyond the capacity of their habitat.

Each of these factors, as well as many others, contributes to the trend of range condition and was certainly an important consideration at the time the report was prepared. None of these factors, however, were brought forward by GAO.

See comment 4.

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MISREPRESENTED RESULTS OF THEIR QUESTIONNAIRE LED TO UNJUSTIFIED CRITICISM.

- **INVALID ASSUMPTIONS WERE MADE BY GAO IN INTERPRETING QUESTIONNAIRE DATA.**

GAO's assertion that range managers lack current knowledge of range condition for a sizable portion of the land they manage would be more accurately phrased as "the persons contacted during the course of the GAO questionnaire survey lacked an opinion of how range condition had changed over the last 5-10 years." There is a high probability that the questionnaire respondent may have had no opinion of condition and trend because he or she had been working on the allotment for less than five years. There is an extremely high turnover of BLM and FS range conservationists in field offices (37). In 1980, GAO pointed out that frequent changes in District personnel led to constant orientation problems within land management agencies (16).

See comment 5.

The questionnaire opinion responses are not a measure of the existence of range condition data. It should be noted that the questionnaire was only distributed to agency personnel and did not seek input from many others who would have long-term knowledge of range condition such as researchers, producers, or extension personnel. **This oversight reflects failure in GAO's research techniques rather than a failure of range managers to understand rangeland.**

See comment 6.

More importantly, it should not be portrayed as alarming or adverse that range condition may be unknown for a portion of the public lands. In some cases, knowledge of range condition is not pertinent for its management. Observations of general plant and resource responses can result in excellent range management. Some rangeland, due to its remoteness, steepness, distance from water, and other factors, is not grazed by livestock nor impacted by other human influences. It appears that GAO had some understanding of this concept when they stated it would be "unrealistic to expect that the Bureau and FS could maintain current in-depth information on all grazing allotments given the resources assigned to this work". This concept is critical to understanding management programs on public lands, and could have been supported in the GAO report with GAO's own previous finding in 1980 (16). At that time, GAO concluded that:

See comment 7.

See comment 8.

> *If the Nation cannot afford the level of management now required, then the Congress will need to decide what requirements are least important and delete them. Otherwise, these requirements tend to drain funds from, and dilute the effectiveness of, more important management efforts.*

See comment 9.

Since 1980 the margin between Congressional and judicial demands for public land management and the agencies' ability to service those demands has grown immensely.

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See comment 10.

THE RESULTS OF A GAO OPINION QUESTIONNAIRE WERE EXAGGERATED.

See comment 11.

- **GAO FOUND EIGHT PERCENT OF ALLOTMENTS IN DECLINING CONDITION TO BE "PARTICULARLY ALARMING".**

GAO's repeated contention about livestock grazing as the cause of "serious and even permanent damage" pertains to only eight percent of the public lands. **Based upon the same GAO data, the report could have pointed out that in the opinion of range managers 67 percent of the BLM allotments and 79 percent of the FS allotments sampled are IMPROVING or maintaining status-quo.** The GAO report expounded on the negative aspect.

See comment 12.

From a range management perspective, as a measure of management performance, eight percent of rangeland in a downward trend is a predictable, satisfactory status and reason for little concern. Range condition varies greatly on rangelands in response to many variables, both with and without human influence. The process of changes in plant communities is called succession. Succession occurs through many pathways creating many different localized variations in plant communities. Even in the complete absence of man, under pristine conditions, a certain percentage of rangeland (in some cases more than eight percent) would always exist in a downward trend status due to causes such as wildfire, periodic drought, flood, or excessive wildlife use; conditions which prevail today (9, 17, 21, 22, 23, 25, 43, 46, 47, 48, 52).

See comment 13.

GOOD RESOURCE MANAGEMENT CONCENTRATES IMPROVEMENT EFFORTS IN AREAS WITH THE GREATEST POTENTIAL FOR POSITIVE RESPONSE.

- **GAO CRITICIZED LAND MANAGERS FOR "NOT CONCENTRATING THEIR RESOURCES ON THOSE GRAZING ALLOTMENTS THAT THEY BELIEVED WERE THREATENED WITH FURTHER DETERIORATION".**

The GAO questionnaire inquired about changes in ecological status. Ecological status is a measure of resource condition that specifically refers to successional stage (40, 50). The phrase "threatened with further deterioration" did not appear in the questionnaire and has no technical definition. Inconsistencies between wording in the questionnaire, and phrases used to report the questionnaire results, violate survey reporting techniques. This sensationslized description of the questionnaire results plays well into the hands of those who wish to discredit public rangeland grazing.

See comment 14.

This statement does not take into account the complexity of multiple use management on public lands. Many issues drive the decisions for prioritizing range improvement projects including, but not limited to: endangered species, wild horses, riparian demands, critical wildlife habitat, and cost-sharing agreements to make more efficient use of range improvement funds (33, 49). This type of non-constructive criticism of the management agencies does nothing to expand the knowledge of how to best address range resource problems.

See comment 15.

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See comment 16.

GAO DID NOT EMPHASIZE THEIR SIGNIFICANT FINDING THAT ONE OUT OF EVERY THREE BLM ALLOTMENTS AND ONE OUT OF EVERY FOUR FS ALLOTMENTS WAS UNDERSTOCKED.

See comment 17.

- **THE GAO REPORT EXAGGERATED THE QUESTIONNAIRE RESULTS BY CONCLUDING THAT ONE OUT OF EVERY FIVE ALLOTMENTS WAS "POTENTIALLY SUBJECT TO DETERIORATION" FROM OVERSTOCKING.**

See comment 18.

GAO obscured a critically important qualification of their report which recognized that most of the Bureau's rangeland is generally stable or improving. GAO admitted to focusing the report "on that part of the rangeland that is declining or overstocked, because this is the part that is susceptible to serious and even permanent damage if corrections are not made". GAO coined the phrase "potential deterioration". This term was not inquired about in the questionnaire.

See comment 14.

The poor choice of words in the GAO report unduly alarmed its readers by alluding to some vague, undescribed but horrible condition of "serious and even permanent damage". These words provoke terrifying images if found in a personal medical report. But, what are the images of "serious and even permanent damage" associated with rangeland? What is GAO's perception of what rangelands should look like?

See comment 19.

While rangeland damage in some instances may well be serious, it is doubtful that any damage is indeed permanent. Mineland reclamation illustrates well that the intensity of inputs determines the speed rather than the possibility of recovery in many cases (25).

See comment 19.

See comment 20.

INVENTORIES OF RANGE CONDITION REQUIRE PROFESSIONAL JUDGEMENT AND KNOWLEDGE OF SITE-SPECIFIC RESOURCES, AND ARE MORE INVOLVED THAN A STANDARD ACCOUNTING PROCESS.

See comment 21.

- **GAO'S INTERPRETATION OF THE FLPMA REQUIREMENT TO MAINTAIN A CURRENT INVENTORY OF RANGE CONDITIONS AND TRENDS REFLECTS A LACK OF UNDERSTANDING OF RANGE INVENTORY.**

See comment 22.

Maintaining an "inventory of range condition and trend" is very different than the concept of "inventory" for a retail business. Delineation of range condition is a judgement call that must be made by an experienced evaluator. Condition ratings described as poor, fair, good, and excellent do not denote their usual values when used in the context of range management terminology. Excellent is not always more desirable than good. These terms describe intermediate stages of plant community development (40, 41).

The proper interpretation of poor and fair rangeland condition is that the plant community is in an early stage of development. The terms "poor and fair", applied by early range ecologists when the concept of range ecological condition was

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See comment 23.

developed, do not necessarily denote unsatisfactory conditions. The unfortunate use of this value-laden terminology has been a constant source of confusion for persons who lack experience with the proper technical interpretation.

See comment 24.

An assessment of range condition is made relative to the concept of what the "potential natural community" (PNC) would be under pristine conditions. The site-specific definition of PNC is subject to professional opinion. Differences of opinion among professionals relative to PNC are not uncommon (25, 27, 39, 40, 50, 51).

See comment 25.

The terms "upward" and "downward" trend in range condition are not "indications of whether rangelands are moving toward or away from specific management objectives" as GAO stated. These terms are descriptors of changes in vegetation toward or away from PNC (31). Succession occurs naturally in both directions based on both factors attributed to man's activities and those that occur naturally and are beyond man's control.

See comment 26.

In arid environments, assessments of range condition that are five years old may very well be current. Assessments that are 10 years old are recent. Changes in condition of arid rangelands occur slowly (1, 13, 25). **Annual assessments of condition are not only unnecessary for good management, but would divert range management attention from more important tasks such as monitoring.**

Specific GAO Responses to Criticisms of GAO Report on Riparian Area Management

The following are GAO's responses to the specific assertions made in the consulting firm's critique of our report Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow (GAO/RCED-88-106, June 30, 1988). The numbered comments are keyed to an annotated version of the applicable section of the consulting firm's report, which is reproduced on pages 35-36.

1. The consulting firm's assertion that our review work was limited in scope misrepresents our work. As we stated on page 14 of our 1988 report, we began our review by meeting with Bureau of Land Management (BLM) and Forest Service officials and requesting from them lists of successful riparian management projects. They provided us with lists of 23 BLM and 12 Forest Service projects, which represented most of the riparian improvement projects under way at that time. Of the total of 35 projects on these lists, we reviewed 15 in detail. We also reviewed 6 additional BLM projects and 1 Forest Service project that agency staff brought to our attention during our field work, for a total of 22 projects. We selected projects located throughout 10 western states to include a wide range of climatic and geographic conditions and to illustrate several different techniques of riparian management.

For each of the 22 projects reviewed, we visited the site with knowledgeable agency personnel, who provided us with the agencies' views on the projects from range management, water, soils, vegetation, and wildlife habitat resource perspectives. We also reviewed project files for each of the 22 projects at the agencies' field offices in the 10 western states and held extensive interviews and discussions with agency managers and their staffs on each of the projects.

To ensure that we received as complete and balanced a view of these projects as possible, we also discussed the projects with many of the livestock operators permitted to graze livestock on the allotments where the projects were located and discussed riparian area management with officials of state livestock associations and with several persons involved in research on riparian area management. During our file review and discussions with agency officials, we documented the reasons why the projects were undertaken, the cause of the damage (which in each case was poorly managed livestock grazing), the before and after conditions of the riparian areas reviewed, the benefits attributable to the projects, and any available information on the condition of riparian areas in each state. Subsequently, we sent a draft of each case study covered in our review to the responsible BLM or Forest Service field office for their review and

comment and made changes recommended by them as needed. Finally, we provided a draft of the entire report to BLM and the Forest Service for their written comments.

Contrary to the consulting firm's assertion, we made extensive efforts to verify that our findings were representative of conditions on the public land throughout the West. As we state in the report, the agencies do not have comprehensive inventories of all riparian areas on their land. However, the information that is available clearly demonstrates that tens of thousands of miles of riparian areas on federal rangeland are in a degraded condition and are in need of restoration. This was the best information available at the time of our review, and the consulting firm provides no information to support any other conclusion. Also, agency officials with whom we spoke clearly indicated that they considered the degraded condition of riparian areas on federal rangeland to be a serious problem and that their successful restoration projects represented only a small fraction of the work that needed to be done to restore these areas to a satisfactory condition.

Further evidence of the need for riparian restoration appears in BLM's 1991 report entitled Riparian-Wetland Initiative for the 1990's. The stated purpose of this initiative is to achieve a proper functioning condition on riparian-wetland areas on BLM land. The plan includes an estimated 1.3 million riparian-wetland acres and 49,000 riparian stream miles in the states administered by the 10 BLM state offices included in our review. BLM estimated that, in these states, only 7 percent of the riparian areas were meeting their objectives and 8 percent were not meeting them. The status of 85 percent of the areas was unknown. BLM estimated that the total cost of carrying out this initiative in these states will be about $57 million.

In keeping with this effort, BLM's budget justification for fiscal year 1991 presented findings and laid out a plan of action for restoring riparian areas, as called for in our report. Likewise, the Forest Service provided us with a status report on the condition of western national forest riparian areas in November 1990. The report showed that an estimated 58,000 miles of riparian areas within livestock grazing allotments do not meet and are not moving toward meeting forest plan objectives.

The livestock operators with whom we spoke were also pleased with the results of the riparian restorations on their allotments. They cited real benefits to their operations resulting from the improvements, such as reduced feed costs attributable to increases in the amount of forage

available, a year-long water supply from creeks that had formerly gone dry part of the year, better utilization of forage available in uplands that had formerly gone underutilized, and improved health of cattle and increased calving rates resulting from the more effective livestock management that was implemented as part of the riparian restoration process.

2. The assertion that our report failed to meet congressional needs is inconsistent with the facts. Our report met both congressional and agency needs. The Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs, used our findings as the basis for questions at two oversight hearings on public lands grazing management. We also testified at these hearings.[1]

Moreover, both the Department of the Interior and the Forest Service agreed with the recommendations in our report and have initiated efforts to implement our recommendations. In a December 1991 letter to the Comptroller General of the United States, the Director of BLM stated that our June 1988 report on BLM's riparian management program was one of GAO's more comprehensive and expert studies of a very relevant issue. The Director further stated that essentially all of the report's recommendations had been implemented. Numerous BLM and Forest Service field office staff also told us that our report was not only accurate but had helped to generate action to restore degraded riparian areas. Forest Service officials have used the report during training courses on riparian area improvements. The report received additional favorable comment from the Environmental Protection Agency and from the American Fisheries Society. Likewise, the Nevada Department of Wildlife stated that our report was "extremely accurate" in its depiction of both riparian conditions and the cause of deterioration.

The available evidence does not support the consulting firm's blanket assertion. In contrast, our report provides evidence that the type of degradation described is exactly what occurs on federal rangeland riparian areas throughout the West. We witnessed it during our visits, and agency experts also told us that it is, in fact, widespread. The agencies' statistics included in our report demonstrate the extent of the degradation. For example, on pages 36 and 37 of our report, we cite BLM's inventory information that in Colorado 51 percent of the area along the state's 5,300 miles of perennial streams was in poor condition, 39 percent was in fair condition, and only 10 percent was in good condition. For Arizona, BLM

[1]Management of Public Rangelands by the Bureau of Land Management (GAO/T-RCED-88-58, Aug. 2, 1988); Restoring Degraded Riparian Areas on Western Rangelands (GAO/T-RCED-88-20, Mar. 1, 1988).

stated that the state's riparian areas were "generally less than satisfactory," and for Idaho, BLM stated that about 80 percent of the riparian area along 11,867 miles of streams was in some stage of degradation. Similarly, assessments provided by the Forest Service also showed that most of the riparian areas assessed were in need of restoration. For example, in one national forest in Arizona, the Forest Service estimated that 80 to 90 percent of the stream riparian areas in the forest were in unsatisfactory condition.

In addition, Department of the Interior Inspector General reports issued after our report have documented the continued degradation of riparian areas by poorly managed livestock grazing. For example, a review of BLM's program management in Colorado found that

> . . . riparian areas continue to be degraded. For example, a January 1989 analysis prepared by the Gunnison Basin Resource Area Office concluded that 60 to 100 percent of the riparian areas were being overgrazed. Overgrazing damaged the riparian areas to the extent that forage production was below normal; plant species composition was undesirable; stream channels and stream banks were unstable, causing erosion; soils were compacted, reducing water infiltration; vegetative cover was reduced, resulting in excessive silt from heavy runoffs; groundwater reservoirs were not able to recharge; and out-of-bank heavy runoffs were not slowed down and dispersed. In addition to degradation of riparian areas, the study showed that 84 percent of the allocated rangelands were in less-than-good condition and that livestock were allowed to graze before forage species were at a growth stage that would tolerate grazing.[2]

Likewise, the Inspector General's report on BLM program management in California states the following:

> Our review disclosed that many riparian areas on public lands continue to be degraded. Resource area personnel estimated that it would cost about $1.1 million [in the area being examined] to repair damage to riparian areas on public lands that was caused by improper grazing. Resource Area personnel identified the following examples of damage to riparian areas:
>
> Personnel of the four resource areas reported that 206 of the 367 miles along perennial streams were damaged by grazing. At an estimated cost for materials at $4,000 per mile, it will cost $824,000 to restore the riparian habitat.

[2]Office of Inspector General, Final Audit Report on Survey of Selected Programs of the Colorado State Office, BLM (Apr. 24, 1990).

Bishop Resource Area personnel stated that about 1,500 acres of aspen groves, which were needed for deer and other wildlife species for raising fawns and feeding, were damaged by grazing. The estimated cost of materials to restore this area was $300,000.

Alturas and Surprise Resource Areas personnel stated that hundreds of miles along spring meadows were damaged by grazing and other uses. The cost to restore this damaged habitat had not been estimated.[3]

3. The consulting firm asserted that factors other than grazing—such as mining, logging, road construction, off-road vehicle use, and wildfires—can damage riparian areas. We agree and recognized in our report that livestock grazing is not the only activity causing riparian area damage. However, during our review, agency experts stressed over and over that the primary, and in many cases the only, cause of damage to rangeland riparian areas was overgrazing by domestic livestock. In this connection, a July 1990 report, Livestock Grazing on Western Riparian Areas, which was produced for the Environmental Protection Agency by three prominent riparian area experts, states that although cultivation, road building, mining, urbanization, logging, and the damming of rivers have impacted riparian values, livestock grazing has had the most geographically extensive effects. The report states that the extensive deterioration of western riparian areas began with severe overgrazing in the late 19th and early 20th centuries and that although rangeland conditions overall have reportedly significantly improved in many areas since 1980, extensive field observations in the late 1980s suggested that riparian areas throughout much of the West were in the worst condition in history. Additional statements in the report also point to damage in riparian areas caused by improper livestock grazing:

Depleted upland vegetation furthers the natural tendency of livestock to concentrate in riparian areas. Even riparian areas in good condition are susceptible to damage by concentrations of livestock at the wrong time, in too great a number, for too long, or any combination of these factors.

When riparian areas are in a deteriorated condition they are far more sensitive to improper livestock grazing. Unless the season, duration and intensity of grazing are controlled, damage can be severe, long-lasting, and in some cases, irreversible. Proper grazing management can restore the long-term productivity of most riparian areas and associated uplands. However, grazing tradition, the vast geographical extent of the problem, and the gap between short-term costs and long-term benefits of improved management, all present significant obstacles to the necessary changes in grazing practices.

[3]Office of Inspector General, Final Audit Report on Survey of Selected Activities of the California State Office, BLM (Mar. 29, 1991).

Improper livestock grazing can result in what are for all practical purposes permanent changes in the landscape and loss of long-term productivity.

Even more recently, in October 1991, a report prepared for the Bonneville Power Administration by three experts in the fields of hydrology, fisheries science, and riparian ecology discussed the effects of livestock grazing on riparian areas in two river basins in eastern Oregon. The report included the following comments:

Elimination of livestock grazing through management or with corridor fencing were generally observed as the most effective means of improving riverine/riparian habitats.

All Allotment Management Plans . . . on public lands should immediately be brought up to date reflecting state-of-the-art grazing strategies necessary to restore riverine/riparian plant species. Any allotment that cannot be managed compatibly with its riverine/riparian ecosystem should be closed.

In all areas where domestic livestock had been removed from riparian systems, dramatic increases in the density, cover, and height of willows and cottonwood were observed. Only one stream reach (i.e., Sheep Creek) was experiencing significant levels of elk utilization. However, willow recovery was still occurring at this site.

4. We disagree with the consulting firm's suggestion that riparian area rehabilitation has not been adequately researched. A number of land management agency personnel have been restoring degraded riparian areas for some time. Some of the most notable examples identified in our review were located in BLM's Prineville, Oregon, district. We cited two of these early successful efforts on pages 26 and 59 of our 1988 report. A staff member at that field office is considered to be a leading expert in BLM on riparian restoration and has provided a great deal of training to people both inside and outside the agency on the subject. He was awarded the prestigious Chevron Conservation Award in 1988 and the Society for Range Management Outstanding Achievement Award in 1991 for his riparian restoration work.

As we were preparing our 1988 report, we were aware that research on riparian area restoration was ongoing. As we state on page 16 of the report, we discussed the subject with several people involved in research on riparian area management during our review. However, agency staff who were implementing riparian restoration projects repeatedly told us—and our observations in the field confirmed—that relatively simple and well-known management techniques were effective in restoring

riparian areas. These mainly consisted of changes in livestock management to limit access to riparian areas—i.e., fencing or changing the time of year when livestock were allowed to use the areas—or providing sources of water away from riparian areas. The important element in successful riparian restoration is to design a solution for an area that takes into account the type of ranching operation involved and the specific characteristics of the area, such as temperature, rainfall, vegetation, and soil type. As the 1990 report to the Environmental Protection Agency states, "Progressive stockmen and land managers have long demonstrated there are no insurmountable technological barriers to restoring and protecting the long-term productivity of western riparian areas and adjacent uplands."

In regard to the consulting firm's comments on the scale of riparian rehabilitation needs, we believe the agency statistics cited previously speak for themselves and show that the need is great. In addition, under the Federal Land Policy and Management Act (FLPMA) and the Public Rangelands Improvement Act (PRIA), deteriorated rangeland is to be restored. Both acts mention the benefits of such restoration to watersheds, wildlife, and recreation, as well as to livestock.

The consulting firm suggests that our report overstates the need to restore damaged riparian areas and that restoration efforts are being conducted in the context of a "liberal" ideology. We disagree. Our report does not reflect a "liberal" ideology, but rather a concern for the proper implementation of FLPMA and PRIA.

5. This discussion misrepresents our report, which did not discuss wild horse impacts. In neither this nor any other GAO report has the assertion been made that wild horses inherently protect the environment.

6. We agree that riparian area research is ongoing. However, as we point out above, agency field personnel are successfully implementing riparian restoration projects. BLM and the Forest Service have begun large-scale initiatives to address known riparian area problems. Perhaps research results will help to resolve some particularly unique or difficult problems, but no such problems were mentioned to us and the consulting firm does not identify any.

7. The charge that our report is unbalanced, nonfactual, and anecdotal is false. With respect to the consulting firm's assertion that our report does not recognize the good work done by the agencies, pages 38 through 41

and page 49 of our report present the agencies' policies and initiatives and some positive actions they have taken on their own and jointly with others, including the Oregon Cattlemen's Association, the University of Montana, and the Izaak Walton League of America. On page 51 of the report, we also acknowledged the efforts of the many dedicated agency staff who have improved riparian areas despite limited resources. In addition, we devoted 33 pages in the report to descriptions of successful riparian restoration projects and gave credit where it was due to agency staff and cooperating ranchers.

The theme of our report is that some very successful riparian restoration efforts have taken place but that much more needs to be done and that serious obstacles to restoration remain, including resource constraints and resistance by livestock permittees. In this regard, an overwhelming majority of BLM field personnel expressed negative views on their own agency's performance in riparian area management. The instances in which agency management had not supported riparian restoration when it was opposed by public land livestock operators outnumbered the instances in which it had supported restoration. Nevertheless, we cited in our report every positive example that we received, in order to provide the "balance" that the consulting firm calls for. Furthermore, we provided every case study cited in our report to the agency officials involved for their review, and we responded to any comments that they gave us. The case studies cited in our report are facts, not "one-sided stories construed as fact," as the consulting firm claims. In contrast, the consulting firm provides no evidence to support its assertions.

TECH REVIEW OF GAO RANGELAND REPORTS CASE II

CASE II. SOME RIPARIAN AREAS RESTORED BUT WIDESPREAD IMPROVEMENT WILL BE SLOW. GAO/RCED 88-105. JUNE 30, 1988.

As a means of reporting to Congress on the status and potential for improving conditions of riparian areas on public lands, GAO reviewed 22 projects in ten western states. GAO's observations and conclusions based upon this limited review imply that these findings are representative of conditions west-wide on public lands. No attempt was made to verify this assumption.

See comment 1.

GAO'S NARROW SCOPE OF INVESTIGATION PRODUCED A REPORT THAT FAILED TO MEET CONGRESSIONAL NEEDS FOR UNDERSTANDING RIPARIAN AREA CONDITION.

See comment 2.

- **ERRONEOUS CONCLUSIONS MADE BY GAO LEAD THE READER TO BELIEVE THAT LIVESTOCK OVERGRAZING IS THE SOLE SOURCE OF RIPARIAN AREA DAMAGE.**

  GAO depicts as a common occurrence trampled streambanks stripped of vegetation that cause water tables to lower, and change perennial flowing streams into water courses that dry up in summer months. While riparian damage does occur, and has occurred in the past, the scenario of trampled streambanks stripped of vegetation is not the most prevalent condition on public land riparian zones. Certainly the case of perennial streams drying up and becoming intermittent water courses is the exception rather than the rule. However, these are the descriptions that are repeatedly quoted by advocates against livestock grazing on public land. Livestock grazing is only one of many activities that can, if not properly managed, affect riparian area condition. Mining, logging, road construction, off-road vehicle use, camping, biking trails, wildfire, storm events, wild horses, beaver, and other wildlife also impact riparian zones (30, 34, 36).

See comment 3.

RIPARIAN AREA REHABILITATION IS A RELATIVELY NEW DISCIPLINE THAT IS ACTIVELY BEING RESEARCHED.

- **GAO CONCLUDED THAT MANY THOUSANDS OF STREAM MILES STILL NEED TO BE RESTORED, AND THAT *NO MAJOR SCIENTIFIC OR TECHNICAL IMPEDIMENTS NEED TO BE OVERCOME IN ORDER TO IMPROVE RIPARIAN AREAS.***

  GAO failed to recognize that the riparian area improvement projects they observed were the ones attempted first because managers had a good idea of how they could be improved, and there was a high probability that their efforts would be successful (30). Good management first addresses easily solvable problems, and uses information learned from early endeavors to subsequently address more difficult problems (25). This in no way implies that a comparable level of expertise is

TECH. REVIEW OF GAO RANGELAND REPORTS CASE II

available to address all riparian rehabilitation problems, or that all perceived problem areas have been accurately identified for their potential for rehabilitation (30, 32, 53). The need for riparian rehabilitation is very much an issue of perspective. The GAO report only reflects the most liberal philosophy which holds that all impacts of mankind on nature must be reversed. There are many other viewpoints contrary to this ideology. Therefore, the remaining riparian improvement task is, in all likelihood, much less enormous than GAO describes.

See comment 4.

WILD HORSES DO NOT INHERENTLY PROTECT THEIR ENVIRONMENT.

- **MISCONCEPTIONS RESULT FROM GAO's OVER-GENERALIZED DESCRIPTION OF WILD HORSE BEHAVIOR BEING "SOMEWHAT LESS DAMAGING" THAN CATTLE IN RIPARIAN AREAS.**

While it is true that wild horses range widely throughout all types of terrain, the same is true of cattle. **There are no redeeming qualities of wild horses in riparian areas as the GAO report leads the reader to believe.** The notion of cattle doing more damage in riparian areas than wild horses because cattle tend to "camp" rather than watering and "moving on", as horses are purported to do, is misleading and does not occur under all conditions. **Wild horses and burros are known and documented to be territorial and defensive of water holes such as springs and seeps to the detriment of both domestic livestock and wildlife (28, 35).**

See comment 5.

See comment 6.

RIPARIAN AREA RESEARCH BEING CURRENTLY CONDUCTED WILL DETERMINE HOW TO ACCOMPLISH SUCCESSFUL MANAGEMENT.

- **GAO BASED THE MAJORITY OF ITS EVALUATION OF THE RIPARIAN MANAGEMENT ISSUE UPON SELECTIVE ANECDOTAL INFORMATION.**

As an attempt to establish their objectivity, GAO qualified the presentation of the selected interviews by stating:

> *We did not, as part of our interview, attempt to validate claims made by many BLM staff that top BLM management will not support riparian improvement efforts when those efforts are opposed by ranchers. Therefore we take no position of the accuracy of the claims we heard.*

Surely during the course of their investigations GAO heard some positive comments from BLM and FS employees who take pride in their agencies' work. However, no such accounts were presented. One-sided stories construed as fact in the GAO report have been quoted repeatedly by journalists who also do not fully investigate these claims with qualified sources before writing stories and publishing information. Since the public understandably assumes that GAO deals in facts, it is imperative that GAO produce accurate and balanced reports.

See comment 7.

Specific GAO Responses to Criticisms of GAO Report on Wild Horse Program

The following are GAO's responses to the specific assertions made in the consulting firm's critique of our report Rangeland Management: Improvements Needed in Federal Wild Horse Program (GAO/RCED-90-110, Aug. 20, 1990). This report broadly addressed problems throughout the wild horse program, ranging from wild horse removals from the public lands to the ultimate disposal of excess horses. The consulting firm focused its criticism on the narrow portion of the report dealing with the Bureau of Land Management's (BLM) basis for determining how many horses should be removed from the range. The numbered comments are keyed to an annotated version of the applicable section of the consulting firm's report, which is reproduced on pages 50-58.

1. The assertion that we relied on previous reports, which were based on opinions and anecdotal information, is repeated several other times in the consulting firm's critiques of our two other reports. As we explained previously and as we show below, this assertion is not consistent with the facts.

2. This statement is misleading. As our 1990 report clearly points out, we examined wild horse and range management in BLM field offices having jurisdiction over 46 wild horse areas. At each office we sought out evidence of range damage caused by wild horses or evidence of range improvement resulting from wild horse removals. As our report indicates (p. 24), BLM had difficulty providing such evidence. We also visited wild horse herd areas (accompanied by BLM range managers), attempting to observe wild horse impacts firsthand. During these visits we observed few, if any, wild horses, but many domestic livestock, especially around water sites. Our report provides little information on wild horse impacts on public land range conditions because, at the time of our review, little information was available.

3. The statement that wild horse management objectives have not been defined in the multiple-use context is misleading. As set forth in the Federal Land Policy and Management Act (FLPMA) and reaffirmed in the Public Rangelands Improvement Act (PRIA), the public land is to be managed in accordance with two principles—multiple use and sustained yield. While FLPMA does not specifically identify wild horses among multiple-use values, PRIA clearly places wild horse program objectives in the context of multiple uses of the land when it discusses the removal and adoption of "excess wild free-roaming horses and burros which because they exceed the carrying capacity of the range, pose a threat to their own

habitat, fish, wildlife, recreation, water and soil conservation, domestic livestock grazing, and other rangeland values . . . ."

4. The assertion that we made an invalid "assumption" about wild horse program objectives is wrong. At the outset, in performing our work, we did not, as the consulting firm suggests, make our own assumptions about wild horse program objectives or management standards. The assumptions and program management requirements that we used to measure performance—and to which the consulting firm seemingly objects—are established in law and agency operating procedures. Specifically, the objective of removing wild horses to improve the range is set forth in PRIA, which clearly states that if the Secretary of the Interior finds that excess wild horses are on the range "he shall immediately remove excess animals from the range . . . so as to restore a thriving natural ecological balance to the range and protect the range from the deterioration associated with overpopulation [underscoring added]." This language closely parallels that of the Wild Free-Roaming Horses and Burros Act of 1971, which states that wild horses are to be managed "in a manner that is designed to achieve and maintain a thriving natural ecological balance on the public lands." In preparing our report, we prominently cited and measured against these standards and neither asserted nor implied any other.

5. The consulting firm does not support its assertion that domestic livestock and other range animals are managed at a level to prevent even the risk of damage to the range and that wild horses receive inequitable range management treatment. As our report points out, BLM's wild horse removal decisions may not always have been equitable, but if anything, the agency's decisions were biased in favor of livestock. We found, for example, that BLM was conducting wild horse removals even though data were not available to support the removal decisions. In contrast, BLM has often used the lack of detailed carrying capacity and range monitoring data to explain why it has not reduced authorized domestic livestock grazing even when officials believed that overgrazing was occurring. Moreover, we noted instances in which wild horses were removed from the range only to be replaced by domestic livestock.

The June 1989 decision of the Interior Board of Land Appeals against BLM's proposed 1988 wild horse removals further contradicts the consulting firm's claim of inequitable treatment. The Board found that BLM did not have the data to support a conclusion that the removals would result in a thriving natural ecological balance or prevent further deterioration to the

range. It further ruled that BLM's administrative rationale of removing horses to achieve a population level believed to have existed at a particular time could not be justified.

6. The consulting firm provides no evidence to support the assertion that wild horses can double their populations in 5 years. This statement may or may not be true. During our review we found that estimates of population increase rates varied but that conclusive data to support one estimate against another did not exist.

7. We agree that rangeland animal populations should be controlled at levels consistent with the land's ability to sustain them. This is the theme of our report.

8. According to the consulting firm, our recommendation says that when overgrazing is occurring, both wild horses and authorized livestock grazing should be "reduced in proportion to the number of each species on the range." This characterization does not reflect the context of our recommendation. The full text of our recommendation clearly states that the purpose of the recommendation is to place wild horse removals in the context of a rational strategy of range improvement that includes both wild horses and domestic livestock. This is the identical process called for in the 1992 Wild Horse and Burro Advisory Board recommendations.[1] Furthermore, in recognition of the fact that certain management techniques can be applied to livestock that cannot be applied to wild horses, our recommendation clearly points out that the first step in managing domestic livestock is to adopt more intensive livestock management techniques. We then state that after this step has been taken, where necessary and appropriate, wild horses should be removed and authorized livestock grazing should be reduced.

As our wild horse program report clearly states (p. 27), the draft provided to Interior for written comments called for these removals and reductions to be accomplished "in proportion to the amount of forage each is consuming and the amount of damage each is causing." In phrasing this draft recommendation, we fully comprehended that wild horse and domestic livestock grazing patterns and seasonal presence on the range can differ. As our report also points out (p. 28), we revised this recommendation in response to Interior's written comments that it is difficult to determine how much damage each species is causing and that

[1]Wild Horse and Burro Advisory Board, Recommendations to the Secretary of Agriculture and the Secretary of the Interior (Jan. 30, 1992).

the impact of domestic livestock grazing on range conditions can, under some circumstances, be managed without reducing authorized grazing levels. We continue to believe that in this overall context the thrust of our recommendation is sound and consistent with a rational process of range improvement.

To support its argument on this issue, the consulting firm has prepared a misleading presentation on domestic livestock grazing seasons in wild horse areas that is based on questionable assumptions. The consulting firm asserts that our report fails to recognize that livestock consume much less forage than wild horses because livestock are on the range for only part of the year, whereas, by definition, wild horses are on the range year-round. In this connection, the consulting firm suggests that cattle in wild horse areas are authorized to graze on the public lands for only 3 months of the year and that wild horses grazing year-round would consume four times as much forage as the same number of cattle. The firm then proceeds through a set of mathematical computations to demonstrate the consequences of our recommendation, which, it says, does not consider this fourfold differential.

The consulting firm's assumption of 3-month cattle grazing is not consistent with the facts. Our review of data contained in grazing environmental impact statements for wild horse areas indicated that relatively few allotments authorize cattle grazing for as few as 3 months. Most allotments in these areas authorize grazing for a much longer period, and year-long permitted grazing is not uncommon. In fact, BLM land managers sometimes use the phrase "wild cow operations" to describe grazing practices in these areas. Without this 3-month grazing assumption, which the consulting firm presents as fact, the mathematical presentation loses its validity.

In any event, the objective of our recommendation, which is consistent with that of the Wild Horse and Burro Advisory Board, was to bring grazing by both wild horses and domestic livestock into balance with the land's ability to sustain it. Since domestic livestock consume more forage than wild horses even in wild horse areas, we believe that any rational range management strategy must address grazing by both wild horses and domestic livestock. Focusing exclusively on wild horse removals to achieve the desired balance will not work.

9. Here the consulting firm misrepresents our report by quoting selectively from it. The full text of the statement in our report (p. 21) points out not

only the consequences of removing too few horses, as noted by the consulting firm, but also the consequences of removing too many: namely, a waste of federal funds associated with rounding up and then disposing of the horses.

10. The assertion that we did not realize the significance of our own finding regarding the importance of establishing proper wild horse removal levels is incorrect. We made this observation in our report because we realized the potential consequences of removing too few horses. The available evidence, however, suggested that BLM did not have the data necessary to demonstrate that too many wild horses were on the range. We emphasized this fact in the report because (as the Interior Board of Land Appeals also found) without data, no rational determination can be made concerning whether too many wild horses are on the range.

11. The purpose of this assertion is not entirely clear in the context of the consulting firm's report. However, in establishing a plan of action to address "the vast segments of the public rangelands [that are] producing less than their potential . . . and for that reason are in an unsatisfactory condition," PRIA calls for "an intensive public rangelands maintenance, management, and improvement program." In conducting our work, we measured against such criteria established in law.

12. The consulting firm's report asserts that we based our work on a mistaken premise that FLPMA directed BLM to scientifically manage the land. The consulting firm's opinion on this subject is inconsistent with law, as well as with the official views of the Interior Department, an opinion issued by the Interior Board of Land Appeals, and the most recent findings of the Interior Department's Wild Horse and Burro Advisory Board. For instance, PRIA refers to the need to dispose of "excess free-roaming horses and burros which because they exceed the carrying capacity of the range, pose a threat to their own habitat" and other rangeland values [underscoring added]. PRIA further states that "the Congress . . . hereby establishes and reaffirms a national policy and commitment to: (1) inventory and identify current public rangelands conditions and trends . . . ." In commenting on our report, Interior stated, "We agree that the carrying capacity and range condition of herd areas should be established expeditiously." It further stated that "BLM recognizes the need to accelerate efforts to collect current resource data." Likewise, as we discussed in our report, the Interior Board of Land Appeals ruled in 1989 that quantitative data were needed to justify wild horse removals. Finally, in its January 1992 report, the Wild Horse and Burro Advisory Board stated

that appropriate horse population levels "should be based on and continually verified by habitat monitoring . . . to assure that the combined habitat impacts are within the rangeland capacity and represent a thriving natural ecological balance."

Our 1990 report maintained that data are needed both on range conditions and on the capacity of the land to support grazing activity to provide a basis for determining appropriate wild horse population levels and calculating whether excess horse populations exist. Accordingly, we recommended that BLM expeditiously develop carrying capacity and range condition data in wild horse herd areas. The findings and recommendations in GAO's report are entirely consistent with established views. They do not represent a dogmatic, scientific viewpoint inconsistent with range realities, as the consulting firm suggests.

13. Our report did not call for a quantification of "carrying capacity in absolute mathematical terms." Our report neither recommended, nor implied, the need for such precision. In calling for wild horse removal decisions to be based on carrying capacity and range condition data, we were simply reasserting criteria identified in PRIA and endorsed by the Interior Board of Land Appeals and the Wild Horse and Burro Advisory Board. Interior also agreed with the need for such data in its written comments on our report.

14. This assertion is unfounded. GAO does not have a unique "concept" of rangeland management, as the consulting firm states. Our report characterizes the process spelled out in FLPMA, which calls for the public land to be managed in a harmonious and coordinated manner that will protect its many values in perpetuity. To fulfill this general mandate, FLPMA calls upon the Secretary of the Interior to (1) prepare and maintain a current inventory of all public land and its resource and other values and (2) develop and maintain land use plans. FLPMA directs the Secretary, in preparing these plans, to "use a systematic interdisciplinary approach to achieve integrated consideration of physical, biological, economic, and other sciences." Likewise, PRIA calls for an "intensive public rangelands maintenance, management, and improvement program involving significant increases in levels of rangeland management."

Although the citation is not clearly relevant to the assertion it is making, the consulting firm also quotes FLPMA's policy that the public land is to be managed in recognition of the need for food, timber, minerals, and fiber—two of which (food and fiber), the firm says, domestic livestock

provide. While correct to a point, the consulting firm omits reference to other important elements of federal rangeland policy set forth in FLPMA and reaffirmed in PRIA. These elements include the FLPMA mandates to manage the public land

> in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use; . . .
>
> without permanent impairment of the productivity of the land and the quality of the environment with consideration being given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return or the greatest unit output; . . . [and]
>
> [in a fashion that allows for] the achievement and maintenance in perpetuity of a high-level annual or regular periodic output of the various renewable resources of the public lands consistent with multiple use.

In short, FLPMA and PRIA mandate a balanced program to protect the land's value for all uses, both now and in the future.

15. As we note in comment 13, GAO does not establish a rigid mathematical formula for developing carrying capacities. In both this report and subsequent reports, we simply refer to standards established in law and accepted by BLM, the Interior Board of Land Appeals, the Wild Horse and Burro Advisory Board, and others. Specifically, BLM regulations prohibit grazing use in excess of the land's carrying capacity. Under these regulations, all grazing level adjustments are to be based on several years' monitoring of grazing use. Our conclusions and recommendations have called on BLM to more effectively implement existing statutory and regulatory standards.

16. According to the consulting firm, we were remiss in not consulting "updated range condition reports" that emphasize the improvement being made throughout the West in range conditions. The firm does not identify the reports being referred to or provide any other evidence to support its claim. However, when making this assertion the industry sometimes points to a BLM report entitled State of the Public Rangelands 1990. This report found that 90.1 million acres of federal rangeland (or about 53 percent of the total) was known to be in fair or poor condition. The report

said this figure was down about 8 percent from land so classified 5 years earlier. Importantly, however, BLM noted in the report that in reality no substantial change should have been expected to occur between 1984 and 1989 and indicated that the slight changes it reported were attributable to different methods of reporting. Accordingly, we remain persuaded that our use in 1990 of range condition information compiled in 1988 was appropriate.

17. Contrary to the consulting firm's charges, at the time of our review, BLM commonly categorized rangeland in poor and fair categories as "unsatisfactory." For example, BLM's Final West HiLine Resource Management Plan and Environmental Impact Statement (1988) states that "under all alternatives, the BLM will maintain the public lands that are in satisfactory (good or excellent) ecological condition [whereas] on public lands with unsatisfactory (fair or poor) ecological condition, BLM will . . . ." Only more recently has BLM replaced such designations with more technical classifications that measure land in terms of its proximity to its potential natural community. However, in its 1990 report on range conditions, BLM still uses the terms "poor," "fair," "good," and "excellent" to describe land conditions. Furthermore, the statutory language in PRIA uses the term "unsatisfactory" to define land that is producing less than its potential.

18. We disagree with the consulting firm's assertion that our report is unduly critical of rangeland in stable condition. We believe the consulting firm's comfort with a situation in which more than 70 percent of allotments are either declining or stable is misplaced. In our view, when (1) more than half of the land (whose condition is known) is in unsatisfactory condition, (2) millions of acres of land are declining, (3) the primary causes of the decline are actions within BLM's control, and (4) the statutory mandate for BLM is to correct this situation "by an intensive public rangelands maintenance, management, and improvement program," such performance is cause for concern. Holding stable at an unsatisfactory level is not consistent with the objectives of PRIA.

19. We submitted our report to outside review, providing a draft to the Department of the Interior for its written comments. We incorporated these comments in their entirety in the final report and noted where they had led us to make changes in our report. When we did not make changes suggested by the agency, we explained our rationale for not having done so. By and large, Interior agreed with the information presented in our report and with our recommendations. While not agreeing with all of our

recommendations, Interior stated that "the recommendations in this audit will help us meet the commitment [to manage the program more humanely and efficiently] in the future."

20. We certainly agree that BLM has experienced problems in the wild horse program. This was the focus of our report, which addressed the full spectrum of program management issues, including wild horse removal decisions, horse adoptions, sanctuaries, and prison halter training.

21. The statement that our report (1) did not surface problems with wild horse management and (2) focused on livestock management problems is inaccurate. We devoted 13 pages in our report to wild horse program management problems, including problems with the adoption program, sanctuary operations, and the prison halter training program. Our treatment of these issues was much lengthier than our treatment of the basis for wild horse removal decisions. Furthermore, to correct these problems, we made a number of recommendations with which the Department of the Interior agreed. Our findings and recommendations in these areas were also consistent with those of the Wild Horse and Burro Advisory Board.

GAO's work on the wild horse program began with a singular focus on the treatment and disposal of wild horses removed from the rangeland. Early in this work, however, it became apparent that many of the problems being experienced in these areas resulted from the removal of more wild horses from the range than could readily be disposed of. As our report states (p. 26):

> By 1985, however, horse removal levels quadrupled to 17,400 horses. The adoption program could not handle this many horses and a large backlog of horses in holding facilities began to build, increasing program costs and generating the need to develop mass disposal alternatives, such as fee-waiver adoptions and sanctuaries. . . .

We concluded, therefore, that a comprehensive review of the wild horse program had to consider BLM's basis for its removal decisions. As discussed earlier, these decisions are to be made in the context of the land's carrying capacity and the need to restore a thriving natural ecological balance to the range. In the 46 herd areas we examined, however, we found that BLM was making most removal decisions without the necessary supporting carrying capacity and range condition data. These findings were consistent with those of the Interior Board of Land Appeals.

During our work it also became clear that BLM could not effectively correct the unsatisfactory range conditions described in FRIA and achieve the thriving ecological balance on the range set forth as a goal in the Wild Free-Roaming Horses and Burros Act by focusing exclusively on wild horse removals. BLM had removed thousands of horses but could not provide us with data to demonstrate what damage wild horses had caused to the range or how the removals had improved the area involved. We also pointed out that domestic livestock substantially outnumber wild horses on the range and consume more forage even in states where wild horse concentrations are highest. In addition, we noted that reductions in levels of forage consumption could potentially be achieved more economically by reducing authorized grazing levels than by removing wild horses. Accordingly, we concluded that any rational range management and range restoration strategy had to address grazing by domestic livestock as well as wild horses. Consistent with this view, the 1992 Wild Horse and Burro Advisory Board report stated that "population control on the various herbivores must be maintained so that there is a reasonable balance with the capacity of the land." In this context, it recommended that Interior "integrate the impacts of wild horses and burros herds and all other major forage consumers so that the combined demand is within the range capacity and represents a thriving natural ecological balance [underscoring added]." We continue to believe that our conclusions and recommendations, along with those of the Wild Horse and Burro Advisory Board, are sound, balanced, and appropriately supported.

The consulting firm also alleged that our report "focused on derogatory statements regarding livestock" and did not surface problems with wild horse management. We are uncertain which statements in our report the consulting firm regards as derogatory. Our report points out that livestock consume more forage than wild horses in wild horse areas and that overgrazing by livestock has been widely recognized. Our report also points out that in some cases the effects of wild horse removals on total forage consumption have been largely negated by increases in authorized domestic livestock grazing levels. We stated that, in these circumstances, without improved livestock management, wild horse removals can be helpful but cannot solve the overgrazing problem. These observations are neither derogatory to, nor supportive of, domestic livestock grazing; they are verifiable facts and rational conclusions based on these facts.

22. The consulting firm provides no evidence to support its assertion that wild horses have destroyed many vegetative communities. While areas on BLM land where such destruction has occurred may exist, BLM officials did

not identify them during our field work. Also, during our field visits we did not observe areas on BLM land where damage was attributable primarily to wild horse activity.

23. The assertion that our report did not address problems with establishing appropriate wild horse population levels is difficult to understand. The primary focus of chapter 2 of our report was BLM's basis for establishing appropriate management levels for wild horse populations.

24. Contrary to the consulting firm's assertion that we failed to examine wild horse census issues during our review, in examining whether excess horses were on the range, we spent considerable effort examining wild horse census methods. We found wide disagreement on the utility of the various census techniques available. Because no consensus emerged on the merits of these approaches, we did not address this issue in our report.

25. We agree that BLM is constantly working to balance "public and political pressures." In fact, in several previous reports, we have pointed out that BLM employees cited such pressure from livestock operators as a reason for not performing needed management tasks.

26. The assertion that we "slandered" BLM employees seriously misrepresents our report. Importantly, the consulting firm provides no support for this statement. At no point have we slandered the professional integrity of BLM employees. In previous reports and testimonies, we have noted, however, that BLM employees' efforts to judiciously manage public land grazing have been hampered by resource constraints and by pressure from politically powerful permittees.[2]

As we stated in our wild horse report and in other reports and testimonies, BLM in the past was deferential to livestock interests and predisposed to

[2]See Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow (GAO/RCED-88-105, June 30, 1988), Rangeland Management: BLM's Hot Desert Grazing Program Merits Reconsideration (GAO/RCED-92-12, Nov. 26, 1991), Rangeland Management: BLM Efforts to Prevent Unauthorized Livestock Grazing Need Strengthening (GAO/RCED-91-17, Dec. 7, 1990), California Desert: Planned Wildlife Protection and Enhancement Objectives Not Achieved (GAO/RCED-89-171, June 23, 1989) and Management of Public Rangelands by the Bureau of Land Management (GAO/T-RCED-88-58, Aug. 2, 1988).

satisfying those interests when making controversial decisions.[3] In the context of our wild horse program review, we observed this orientation in BLM's process for deciding how many horses to remove. We had previously observed the same orientation in BLM's management of the California Desert Conservation Area and in the establishment of riparian improvement projects. In each case, the primary source of our information was BLM field staff themselves. The current BLM Director commented on this widely held internal staff view in a memo distributed to BLM staff in 1989. In this memo, he noted the perception of many BLM staff that top management would not back them up in confrontations with livestock permittees over their stewardship practices. The Director assured the staff that they would have such support in the future. In a later testimony, we cited this memo as a positive step.[4]

27. The assertion that we relied on comments from a wild horse advocacy group to support our view that BLM has often been driven by pressure from livestock permittees misrepresents our report. Our report states that a wild horse advocacy group member quit a BLM advisory committee because that member believed BLM was predisposed to satisfying domestic livestock interests. This member's view was not the support for our observation. As page 18 of our 1990 report indicates, we had expressed our conclusion in many previous GAO products. As we stated in comment 26, the principal sources of support for this conclusion are the viewpoints of BLM field staff. These staff have repeatedly expressed frustration to us about their inability to act as responsible land stewards because of pressure applied by livestock permittees. Again, as previously noted, the Director of BLM recognized this frustration in 1989 and attempted to assure the staff that their efforts would be supported in the future.

28. We are fully aware that rangeland management issues are extremely contentious. Slogans such as "Cattle free in '93" and "Cows galore by '94" demonstrate the hostility that now exists among extreme factions on both sides of the issue. However, on the basis of BLM's previous actions and the opinions of BLM staff, we believe our conclusion that BLM has been deferential to the livestock industry's views is sound and factually based. As we have acknowledged in previous testimony, the current BLM Director

[3]See Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow (GAO/RCED-88-105, June 30, 1988), California Desert: Planned Wildlife Protection and Enhancement Objectives Not Achieved (GAO/RCED-89-171, June 23, 1989), Management of the Public Lands by the Bureau of Land Management and the U.S. Forest Service (GAO/T-RCED-90-24, Feb. 6, 1990), and Public Land Management: Issues Related to the Reauthorization of the Bureau of Land Management (GAO/T-RCED-91-20, Mar. 12, 1991).

[4]Management of the Public Lands by the Bureau of Land Management and the U.S. Forest Service (GAO/T-RCED-90-24, Feb. 6, 1990).

has recognized the need for more balanced consideration of all rangeland values and has begun to take corrective action.

29. The consulting firm discusses the importance of democratic rights. GAO recognizes the value of citizen involvement in the democratic process. We have, however, expressed concern about reports of management reprisals against employees who tried to undertake needed land management programs in areas with politically powerful permittees. Finally, we have pointed out that, under current law, federal land is to be managed for multiple purposes and sustained yield and that no single interest is to be treated as paramount.

30. The assertion that we dismissed Interior's comments is false. We directly addressed Interior's comment that we had misunderstood how BLM develops appropriate wild horse population levels on page 56 of our 1990 report. We did not specifically respond to Interior's views on the role of advisory groups because we did not disagree with them. All groups should have the opportunity to participate in BLM's planning process, and BLM land use plans should be subject to public scrutiny and comment.

TECH. REVIEW OF GAO RANGELAND REPORTS CASE III

CASE III. IMPROVEMENT NEEDED IN FEDERAL WILD HORSE PROGRAM. GAO/RCED 90-110. AUGUST 20, 1990.

See comment 1.

In response to Congressional inquiries concerning BLM's wild horse program, GAO relied heavily upon their own previous reports which were based upon opinions and anecdotal information. No attempt was made to update previously compiled GAO statistics on rangeland condition. Very little information directly pertinent to wild horses as they relate to range condition was compiled for this report.

See comment 2.

THE OBJECTIVES FOR WILD HORSE MANAGEMENT HAVE NEVER BEEN DEFINED IN ACCORDANCE WITH THE MULTIPLE USE INTENT OF FLPMA.

See comment 3.

- **GAO'S ASSUMPTION THAT THE OBJECTIVE FOR WILD HORSE REMOVAL SHOULD BE TO IMPROVE RANGE CONDITION IS INVALID.**

See comment 4.

Normally wild horse removals are made to maintain the wild horse stocking rate in order to reestablish a moderate level of grazing use. When this is the case, the reduction of wild horses will not necessarily result in improved range condition, nor is it always a management objective to do so (17). **Present judicial decisions require resource damage to be documented before horses are removed. All other rangeland animals are managed at a level to prevent even the risk of resource damage.** The GAO report did not acknowledge this inequitable system of management which is a major problem with the current wild horse management program.

See comment 5.

See comment 4.

GAO emphatically pointed out that when wild horse removals were not accompanied by livestock reductions, range conditions had not demonstrably improved. **The primary reason for wild horse removals from rangelands should be to maintain the base breeding herd level by removing the annual population increase. Such management is necessary just to maintain, not improve, existing range condition** (17, 38). This management philosophy has been the premise for controlling wildlife numbers through regulated hunting seasons for several decades. It is now known that wild horses can double their population levels in five years.

See comment 6.

Population numbers for every other rangeland animal besides wild horses are controlled on public lands either through authorized grazing permits for domestic livestock, hunting seasons for game species, or natural short-term population cycles and predation for nongame wildlife species (44). Likewise, as intended by the Wild Horse and Burro Act, wild horses must be controlled through roundups if the demands placed on the resource are to be in balance with its ability to produce.

See comment 7.

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MANAGEMENT LEVELS OF LIVESTOCK, WILDLIFE, AND WILD HORSES SHOULD BE BASED UPON LAND USE OBJECTIVES AND THE ABILITY OF RANGELAND TO SUPPORT THOSE USES.

See comment 7.

See comment 8.

- **GAO'S LACK OF UNDERSTANDING FOR BASIC RANGE MANAGEMENT PRINCIPLES WAS CLEARLY EVIDENCED BY THEIR RECOMMENDATION THAT WHEN OVERGRAZING IS OCCURRING BOTH WILD HORSES AND AUTHORIZED LIVESTOCK GRAZING SHOULD BE "REDUCED IN PROPORTION TO THE NUMBER OF EACH SPECIES ON THE RANGE".**

There are many reasons why GAO's blanket recommendation to reduce livestock grazing and remove wild horses in proportion to the number of each species on the range is not appropriate. Certainly in the case when permitted winter livestock grazing and yearlong wild horse use occur on the same range, reducing winter livestock use during the dormant growing season will not address the problem of repeated wild horse grazing that occurs year after year during the time that plants are growing and are susceptible to damage from overuse (4, 6).

GAO surfaced a practical and realistic conclusion regarding wild horse management that was pointed out by BLM. Although it is difficult in some cases, it is possible to distinguish forage consumption among wild horses, domestic livestock, and wildlife species. Further, the GAO report correctly concluded that "this distinction is **critical in determining the appropriate mix of animals on the range, as well as the species-specific actions to be taken in responding to degraded range conditions".**

See comment 9.

The GAO report also correctly pointed out that removing fewer horses than is warranted contributes to continued resource deterioration and "can lead to higher removal costs in the future". Unfortunately, these ideas were not carried forward and emphasized as major findings of the GAO investigation. Evidently, the significance of these conclusions was not fully realized.

See comment 10.

See comment 8.

As the following scenario shows, GAO may not have even realized the ramifications of their recommendation as it was proposed. The GAO recommendation is biased against cattle. By implementing GAO's recommended proportional reduction, 22 more wild horses are permitted to remain on the allotment while **the livestock operator unjustly loses authorization to graze 90 less cattle. On this basis, the livestock operator is penalized unduly for utilization directly attributable to wild horses.**

TECH. REVIEW OF OAO RANGELAND REPORTS CASE III

See comment 8.

- EXAMPLE -

Given the scenario that cattle out-number wild horses on an allotment 4:1; 400 cattle are authorized for grazing July 1 through September 30, and 100 wild horses roam the allotment year-round.

Actual use would be:

400 cattle x 3 months	=	1200 Animal Unit Months (AUMs)[1]
100 horses x 12 months	=	1200 AUMs
TOTAL	=	2400 AUMs

The resulting UTILIZATION FOR HORSES AND CATTLE IS EQUAL and totals 2400 AUMs.

Given in this example that long-term utilization monitoring (at least five years) indicates that the allotment can support and sustain 1500 AUMs, a 900 AUM reduction is necessary.

Since the actual utilization level for horses and cattle is equal in this example, (1,200 AUMs each) the appropriate 900 AUM reduction should be implemented on a 50/50 basis: 450 AUMs for cattle and 450 AUMs for horses should be removed from the range.

The following table shows the results of implementing the appropriate AUM reduction method in contrast to the inappropriate proportional reduction method recommended by GAO.

1/AUM - Animal Unit Month. The amount of dry forage required by one animal unit for one month based upon a forage allowance of 26 pounds per day.

See comment 8

APPROPRIATE 50/50 PROPORTIONAL REDUCTION[1]

	CURRENT ACTUAL USE (AUMs)	APPROPRIATE REQUIRED REDUCTION (AUMs)	ADJUSTED ALLOWABLE USE (AUMs)	ADJUSTED NUMBER OF ANIMALS ALLOWED	APPROPRIATE NUMBER OF ANIMALS REQUIRED TO BE REMOVED
Cattle	400 Cattle x 3 months = 1200 AUMs	50% of 900 = 450	1200-450 = 750 AUMs	750 AUMs allowed for 3 months (750/3) = 250 cattle	400 cattle current -250 allowed 150 cattle removed
Horses	100 horses x 12 months = 1200 AUMs	50% of 900 = 450	1200-450 = 750 AUMs	750 AUMs allowed for 12 months (750/12) = 63 horses	100 horses current -63 horses allowed 37 horses removed
TOTAL	2400	900	1500		

[1]Actual use for horses and cattle is equal and adjustments should be made on a 50/50 basis

INAPPROPRIATE GAO 80/20 PROPORTIONAL REDUCTION[2]

	CURRENT ACTUAL USE (AUMs)	INAPPROPRIATE GAO PROPOSED REDUCTION (AUMs)	INAPPROPRIATE ADJUSTED ALLOWABLE USE (AUMs)	INAPPROPRIATE ADJUSTED NUMBER OF ANIMALS ALLOWED	INAPPROPRIATE NUMBER OF ANIMALS REQUIRED TO BE REMOVED
Cattle	400 cattle x 3 months = 1200 AUMs	80% of 900 = 720	1200-720 = 480	480 AUMs allowed for 3 months (480/3) = 160 cattle	400 cattle current -160 cattle allowed 240 cattle removed
Horses	100 horses x 12 months = 1200 AUMs	20% of 900 = 180	1200-180 = 1020	1020 AUMS Allowed for 12 months (1020/12) = 85 horses	100 horses current -85 horses allowed 15 horses removed
TOTAL	2400	900	1500		

[2]The GAO recommendation requires that the reduction be implemented by 80 percent for cattle and 20 percent for horses, a ratio of 4:1 (the proportion of each species on the range).

TECH. REVIEW OF GAO RANGELAND REPORTS CASE III

See comment 11.

RANGELANDS, BY THEIR NATURE, REQUIRE EXTENSIVE RATHER THAN INTENSIVE MANAGEMENT.

See comment 12.

- **THE MISTAKEN PREMISE OF THE GAO WILD HORSE REPORT IS THAT CONGRESS, THROUGH THE FEDERAL LAND POLICY AND MANAGEMENT ACT (FLPMA), DIRECTED BLM TO "SCIENTIFICALLY MANAGE" RANGELANDS.**

See comment 13.

The GAO report implies that the necessary "scientific approach" requires quantification of carrying capacity in absolute mathematical terms. GAO contends that "thriving ecological balance" cannot be known without knowing carrying capacity, and recommends that BLM expeditiously develop carrying capacity data.

See comment 14.

FLPMA does not require BLM to manage rangelands under GAO's concept of a scientific approach. FLPMA does declare it to be a policy of the United States that "the public lands be managed in a manner which recognizes the Nation's need for domestic sources of minerals, food, timber, and fiber from public lands" (90 stat. 2745;U.S.C. 1701). Domestic livestock provides two of these four needs.

Although theoretically it may seem logical to quantify forage production on rangelands, it is impossible to accurately do so (29). GAO's concept of scientifically managed rangelands based upon absolute quantification of carrying capacity is not supported by most professional range managers and scientists. In the late 1970"s and early 1980's BLM made an extensive effort to conduct range surveys (under the soil-vegetation-inventory method - SVIM) for the purpose of "mathematically" calculating forage allocation. Widespread implementation of this approach resulted in the determination that one-point-in-time surveys to establish carrying capacity are inappropriate for many reasons, a few of which are explained below:

- It is physically infeasible (and would be even if the current staff levels were doubled or quadrupled) to measure vegetation production on vast, remote rangeland areas and meet acceptable standards for sample adequacy to produce results with any degree of statistical reliability at all. Even the most intensive range surveys result in sampling less than one-half of one percent of the actual acreage. **The results from such small sample sizes cannot with any degree of confidence be extrapolated to vast acreages of rangeland and represent the true characteristics of the vegetation** (1, 8, 45).

- Analysis of range survey data must assume that production measured during the inventory year is typical of the long run average, or can be adjusted accordingly. Annual precipitation and resulting forage production on arid rangelands is unpredictable and fluctuates widely between years. Therefore, a "typical year" is not only hard to identify, but also cannot be forecasted for inventory planning purposes (2, 3, 5, 54). Attempts have been made to formulate correction factors to "adjust" data that were not collected during normal conditions. **Such factors must be based upon long-term production data from site-specific locations.**

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Such a database does not exist for the vast majority of public rangeland, nor is it a high priority for range research funding to produce one.

- Forage allocation models require accurate data for many variables. In order to develop such a model, forage requirements for all users (livestock, wild horses and wildlife), and proper use levels for all plant species must be known for all kinds of rangeland (5, 42, 45). An animal's preference for eating a particular plant changes in accordance with growing season, growing conditions (such as soil type), and also in relation to the different species with which it grows. Therefore, predicting what an animal may eat must be very site-specific and cannot without verification be extrapolated from one locale to another. However, this data is the required basis for defining that portion of the total vegetation production that is actually forage (not all plants are eaten), and deciding how much of the vegetation can be consumed by which animals while still maintaining the health of the plants.

In other words, **extensive long-term site-specific data is required to determine carrying capacity from range production data as the GAO report recommends.** Even then, **the resulting calculated "number" is no more than an** estimate **based upon these and numerous other assumptions. The reliability of "the number" is dependent upon the validity of the numerous assumptions made in its derivation, and is** still only a starting point from which to monitor the appropriateness of the calculated carrying capacity (29, 42, 45).

Based upon a well learned lesson on the limitations of forage production surveys from past experience, BLM and FS have progressed beyond the idealistic approach of quantifying carrying capacity for forage allocation. **BLM and FS have implemented a policy of monitoring existing stocking levels and trends of vegetation to determine appropriate grazing levels. This approach is widely supported by range management professionals and the scientific community.** The manpower is not available that would be necessary to conduct a comprehensive forage production survey that would result in only another "starting point".

See comment 15.

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GAO REFERENCED THEIR OWN OUT-OF-DATE INFORMATION AND DID NOT INVESTIGATE IMPROVEMENT THAT HAS OCCURRED ON RANGELANDS DUE TO MANAGEMENT SUCCESS.

See comment 16.

- **GAO PERPETUATES MISCONCEPTIONS OF THEIR UNSUBSTANTIATED CONCLUSIONS.**

A limited number of opinions of range condition status compiled and reported by GAO in 1988 (GAO/RCED 88-80, previously reviewed in this paper) were cited in the 1990 wild horse report to exemplify a claim of unsatisfactory conditions.

See comment 17.

Only after combining the "fair" and "poor" category responses, could the wild horse report state that "over half of the public rangelands remain in unsatisfactory condition." However, range management professionals do not unequivocally consider "fair" condition to be unsatisfactory. Therefore, GAO's emphasis regarding unsatisfactory condition of public lands cannot be substantiated with their own data. If GAO had consulted updated range condition reports available from land management agencies and universities, instead of relying on the statistics they compiled in 1988, they could have emphasized the improvement being made west-wide in range condition.

See comment 16.

GAO DATA SHOWED THAT 91 PERCENT OF RANGELAND IS IN STABLE OR IMPROVING CONDITION.

- **GAO'S SERIOUS LACK OF TECHNICAL UNDERSTANDING LED TO UNJUSTIFIABLE CRITICISM OF STABLE CONDITION RANGELAND.**

GAO reported that "nearly 78 percent of the allotments where trend information was available were either stable or declining further". An investigation of this GAO statistic revealed that of the 78 percent reported (generated from the 1988 opinion survey), only nine percent of the allotments were believed to be declining, while 64 percent were considered stable. This lack of differentiation is extremely misleading.

Stable trend cannot be considered unsatisfactory without detailed site-specific interpretation. Stable trend occurs for many reasons, some of which are listed below:

- Existing range condition may be "good" or "excellent" and is not changing. In this case, stable trend is desirable.
- A successional change in plant community may be inconsistent with existing management objectives for multiple use, and stable trend is intentionally managed for.

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- Existing conditions may have reached a steady state and no influence (human or otherwise) has occurred to shift plant species composition. If range managers recognize this situation when it occurs, false expectations of improvement by removal of grazing are not fostered (24).

See comment 18.

An outside technical review of the GAO report by nonbiased range professionals would have curtailed many of the serious shortcomings of the GAO report. As it is, GAO must assume responsibility for the misrepresentations in their reports.

See comment 19.

TECHNICAL AND MANAGEMENT INADEQUACIES WITHIN THE BLM WILD HORSE PROGRAM HAVE BEEN ACKNOWLEDGED BY AGENCY PERSONNEL AND OUTSIDE INTERESTS.

See comment 20.

- **SIGNIFICANT EXISTING PROBLEMS WITH WILD HORSE MANAGEMENT DID NOT SURFACE IN THE GAO WILD HORSE REPORT BECAUSE THE REPORT FOCUSED ON DEROGATORY STATEMENTS REGARDING LIVESTOCK.**

See comment 21.

The problems that the GAO should have focused on include the fact that 65 percent of the wild horse budget is spent on adoption and maintenance of horses that are gathered off of rangeland, while only twelve percent of the budget is spent for on the ground management. Wild horses have destroyed many vegetation communities, yet there is little or no monitoring in place to document this damage even though monitoring is a required prerequisite in preventing further damage. The report did not address problems with establishing and enforcing appropriate management levels for wild horse populations, or the fact that legal horse herd areas have yet to be defined 20 years after passage of the Act. There are also very real problems with herd census methods used by BLM that should have been brought forth by GAO.

See comment 22.

See comment 23.

See comment 24.

These problems were not the focus of the GAO report because the report instead emphasized problems in livestock grazing.

See comment 21.

THE BLM AS A PROFESSIONAL FEDERAL AGENCY MUST CONSTANTLY WORK TO BALANCE AN EVER-CHANGING SLATE OF PUBLIC AND POLITICAL PRESSURES.

See comment 25.

- **THE PROFESSIONAL INTEGRITY OF BLM EMPLOYEES WAS REPEATEDLY SLANDERED BY GAO INSISTENCE THAT THE BLM WAS DRIVEN BY THE WANTS AND NEEDS OF THE LIVESTOCK PERMITTEES.**

See comment 26.

The GAO 1990 Wild Horse report consistently portrayed the BLM as being "more concerned with satisfying livestock interests than with ensuring the long-term health of the range". In support of this accusation, GAO cites the opinion of a member of a wild horse advocacy group, who in no way represents an unbiased interest.

See comment 27.

Had the report pursued both sides of the story, it would also have been reported that the livestock industry believes that BLM and FS policy are driven by the environmental community (7, 49). The GAO report did not point out that wildlife, recreation and wild horse advocacy groups are also powerful special interest groups that wield significant political power to force management changes.

See comment 28.

A large segment of the constituency of western Congressmen is comprised of persons directly and indirectly dependent upon the livestock industry. The strength of democracy is the right of the people to organize and influence the political process through their elected representatives. Instead of depicting the interest and concern of the livestock industry as a problem, GAO should have recognized the value of citizen involvement as a benefit to the democratic process rather than a weakness.

See comment 29.

GAO dismissed BLM's well written response to these accusations by not considering BLM's following valid points:

Advisory groups largely comprised of livestock permittees [refers to Grazing Advisory Boards authorized by the Public Rangeland Improvement Act and reaffirmed by the Secretary of Interior] *are certainly among many groups consulted as part of the planning process.*

There are numerous opportunities for public input prior to final decisions. Wild Horse Interest Groups - along with other affected interests - routinely participate in the planning process.

Adjustments of use on the public lands, particularly when those uses involve a re-allocation of resources, have a number of legal, social, economic, and political impacts. The evaluation of impacts and analysis of alternatives are quite complicated and should be subject to public scrutiny and comment.

See comment 30.

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

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GAO United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-248330

May 4, 1992

Congressional Requesters

Sixteen Senators asked GAO to review a January 1992 report by a Nevada consulting firm entitled A Technical Review of U.S. General Accounting Office Rangeland Management and Public Rangelands Reports 1988-1990 and respond to the report's critique of three GAO reports, two of which were issued in June 1988 and one of which was issued in August 1990.[1] We have provided our views on the validity of the consulting firm's critique in separate correspondence to the requesters.[2] The requesters also asked for the titles of the documents we reviewed and the names of the individuals we contacted in preparing our reports. This letter responds to that request. The names of the 16 Senators who requested this information are listed at the end of this letter.

Our efforts to identify the specific documents reviewed and individuals contacted during our reviews were complicated by the length of time since the reports were issued. Under GAO's general policy, workpapers are normally retained for 3 years after the review is completed.

The workpapers on our reports on declining and overstocked allotments (GAO/RCED-88-80) and the federal wild horse program (GAO/RCED-90-110) were still available at the time we received the request. For these two reports, we are providing a complete list of the reports, studies, judicial opinions, manuals, and agency plans that we reviewed. In

[1]Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments (GAO/RCED-88-80, June 10, 1988), Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow (GAO/RCED-88-105, June 30, 1988), and Rangeland Management: Improvements Needed in Federal Wild Horse Program (GAO/RCED-90-110, Aug. 20, 1990).

[2]Rangeland Management: Assessment of Nevada Consulting Firm's Critique of Three GAO Reports (GAO/RCED-92-178R, May 4, 1992).

addition, we examined numerous pieces of correspondence and other materials contained in agency files that are not listed. We also are providing the names of the individuals present at our meetings as we recorded them in our write-ups of the meetings. The titles and organizations associated with the listed officials indicate their organizational affiliation at the time of our review. Since our report on declining and overstocked allotments was based substantially on almost 800 responses to questionnaires from federal range managers directly responsible for specific grazing allotments, follow-up contacts on that report were limited largely to the responsible federal land managing agencies.

The workpapers relating to our report on riparian area restoration (GAO/RCED-88-105) were destroyed, except for a number of background documents that we retained for possible use during future reviews and an administrative record of the offices contacted during our review. Therefore, we are unable to provide the names of the individuals contacted during that review. However, we are able to provide a list of the available documents and the offices and organizations contacted.

Enclosure I lists the documents we reviewed in preparing each report. Enclosure II lists the individuals and/or offices we contacted during each review. We hope that the enclosed information meets your needs. If you have any further questions, please feel free to contact either James Duffus III of my staff, on (202) 275-7756, or me, on (202) 275-3567.

J. Dexter Peach
Assistant Comptroller General

Enclosures - 2

B-248330

List of Requesters

The Honorable Hank Brown
The Honorable Richard H. Bryan
The Honorable Quentin N. Burdick
The Honorable Conrad Burns
The Honorable Kent Conrad
The Honorable Larry E. Craig
The Honorable Thomas A. Daschle
The Honorable Dennis DeConcini
The Honorable Pete V. Domenici
The Honorable Slade Gorton
The Honorable Orrin G. Hatch
The Honorable John McCain
The Honorable Bob Packwood
The Honorable Harry M. Reid
The Honorable Steve Symms
The Honorable Malcolm Wallop
United States Senate

ENCLOSURE I ENCLOSURE I

MANUALS, TECHNICAL REPORTS AND ARTICLES REVIEWED FOR DECLINING AND OVERSTOCKED ALLOTMENTS REPORT (GAO/RCED 88-80)

HANDBOOKS AND MANUALS

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ENCLOSURE I ENCLOSURE I

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REVIEWED FOR WILD HORSE REPORT
(GAO/RCED-90-110)

LEGAL DECISIONS

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ENCLOSURE II

ENCLOSURE II

PERSONS CONTACTED FOR DECLINING AND OVERSTOCKED ALLOTMENTS REPORT (GAO/RCED-88-80)

BUREAU OF LAND MANAGEMENT (BLM) CONTACTS

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Wilton Peterson - Acting Chief, Rangeland Management Branch
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Bill Harkenrider - Range Conservationist

BLM Arizona

Phoenix District Office - Phoenix, Arizona
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Herman Kast - Associate District Manager
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Kingman Resource Area Office - Kingman, Arizona
Grant Drennen - Range Conservationist

Lower Gila Resource Area Office - Phoenix, Arizona
William Childress - Area Manager
Lee Higgins - Supervisory Range Conservationist
Kyle Mohan - Range Conservationist

Phoenix Resource Area Office - Phoenix, Arizona
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Loyal Haun - Range Conservationist

BLM California

BLM State Office - Sacramento, California
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Susanville District Office - Susanville, California
Surprise Resource Area Office - Cedarville, California
Lee Delaney - Area Manager
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BLM Colorado

Canon City District Office - Canon City, Colorado
Walt Jakubowski - District Range Conservationist

Royal Gorge Resource Area Office - Canon City, Colorado
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James Sazama - Supervisory Range Conservationist
Jeff Weeks - Range Conservationist

BLM Idaho

BLM State Office - Boise, Idaho
Bob Mitchell - Chief, Renewable Resources

Boise District Office - Boise, Idaho
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Gene Schloemer - Assistant District Manager for Resources
Fred Schley - District Range Conservationist

Bruneau Resource Area Office - Boise, Idaho
Dennis Hoyem - Area Manager
Mike Pellant - Supervisory Range Conservationist

Cascade Resource Area Office - Boise, Idaho
Lola Sept - Range Conservationist

Jarbidge Resource Area Office - Boise, Idaho
Gary Carson - Area Manager
Chuck Jones - Supervisory Range Conservationist

Owyhee Resource Area Office - Boise, Idaho
Daniel Arvizo - Area Manager
Kim Schultsmeier - Range Technician

Burley District Office - Burley, Idaho
John Davis - District Manager
Richard Wright - District Range Conservationist

Deep Creek Resource Area Office - Malad, Idaho
John Christensen - Area Manager

Snake River Resource Area Office - Burley, Idaho
Terrence Costello - Area Manager
Ken Fuller - Range Conservationist

Salmon District Office - Salmon, Idaho
Jerry Goodman - District Manager

BLM Montana

BLM State Office - Billings, Montana
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Miles City District Office - Miles City, Montana
Mathew Millenbach - District Manager
Sandi Sacher - Associate District Manager
Bruce Whitmarsh - Land and Resources Administration
Leon Pack - District Monitoring Coordinator

Big Dry Resource Area Office - Miles City, Montana
Don Nelson - Area Manager
Verdie Lavin - Range Conservationist

Powder River Resource Area Office - Miles City, Montana
Al Pierson - Area Manager

South Dakota Resource Area Office - Belle Fourche, South Dakota
Bill McIlvain - Area Manager

BLM Nevada

BLM State Office - Reno, Nevada
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Robert Stager - AMP Monitoring and Inventory Specialist
Osborne Casey - Fisheries Biologist
Dave Goicoechea - Wildlife Biologist

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James Elliott - District Manager
Norm Murray - Chief, Resources Branch
Andy Anderson - District Range Conservationist

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Pardee Bardwell - Wildlife Biologist
Cub Wolf - Supervisory Range Conservationist

Walker Resource Area Office - Carson City, Nevada
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Sid Houpt - Supervisory Range Conservationist

BLM New Mexico

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H. James Fox - District Manager
Bob Calkins - Chief, Resources Management
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Las Cruces/Lordsburg Resource Area Office - Las Cruces, New Mexico
Tim Salt - Area Manager
Thomas Gow - Range Conservationist

Socorro Resource Area Office - Socorro, New Mexico
Wayne Albrecht - Supervisory Range Conservationist
Roger Cumpian - Range Conservationist

White Sands Resource Area Office - Las Cruces, New Mexico
Bob Alexander - Area Manager
Walter Lujan - Supervisory Range Conservationist

BLM Utah

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Glade Andersen - District Range Conservationist

Bear River Resource Area Office - Salt Lake City, Utah
Frank Olson - Range Conservationist

Pony Express Resource Area Office - Salt Lake City, Utah
Gary Kidd - Range Conservationist

ENCLOSURE II

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BLM Wyoming

Worland District Office - Worland, Wyoming
Chet Conard - District Manager
Jack Mononi - Range Conservationist
John Morton - Range Conservationist

Washakie Resource Area Office - Worland, Wyoming
Roger Inman - Area Manager

Rawlins District Office - Rawlins, Wyoming
Divide Resource Area Office - Rawlins, Wyoming
Bud Holbrook - Area Manager
Doug Powell - Supervisory Range Conservationist
Leroy Smalley - Range Conservationist

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Ivan Thornton - Program Analyst
Joyce Parker - Range Management Planning
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Joan Comanor - Fiscal Specialist

USFS Region 1: Northern Region - Missoula, Montana

Lewis and Clark National Forest - Great Falls, Montana
Musselshell Ranger District - Harlowton, Montana
Carl Fager - District Ranger
Wayne Butts - Range Conservationist

USFS Region 2: Rocky Mountain Region - Lakewood, Colorado

Arapahoe-Roosevelt National Forests - Fort Collins, Colorado
Jim Cruse - Range Supervisor

Grand Mesa, Uncompahgre, and Gunnison National Forests - Delta, Colorado
Ouray Ranger District - Montrose, Colorado
Wendell Turner - Range Conservationist

USFS Region 3: Southwestern Region - Albuquerque, New Mexico

Gila National Forest - Silver City, New Mexico
John Baldwin - Range Conservationist

Black Range Ranger District - Truth or Consequences, New Mexico
Chuck Schipp - District Ranger
Bob Adams - Range Conservationist
Frank Martinez - Range Conservationist

Lincoln National Forest - Alamogordo, New Mexico
Don Cunico - Chief, Range and Wildlife Management

Smokey Bear Ranger District - Ruidoso, New Mexico
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USFS Region 4: Intermountain Region - Ogden, Utah

Challis National Forest - Challis, Idaho
Gordon Reid - Chief, Range and Planning

Challis Ranger District - Challis, Idaho
Bob Gardner - District Ranger
Ross McElvain - Range Conservationist

Targhee National Forest - St. Anthony, Idaho
Palisades Ranger District - Idaho Falls, Idaho
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Del Barnhurst - Range Conservationist
Dusty Hincks - Range Technician

Toiyabe National Forest - Sparks, Nevada
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USFS Region 5: Pacific Southwest Region - San Francisco, California
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Jack Miller - Director, Range Management Program
Harley Greiman - Group Leader, Planning
Terrence Cox - Group Leader, Range Administration
David Diaz - Regional Ecologist
Karen Platon - Ecologist

Modoc National Forest - Alturas, California
William Britton - Resource Officer

Warner Mountain Ranger District - Cedarville, California
Karen Shimamoto - District Ranger
Gene Jensen - Range and Wildlife Specialist

USFS Region 6: Pacific Northwest Region - Portland, Oregon

Wallowa-Whitman National Forests - Baker, Oregon
Baker Ranger District - Baker, Oregon
Glen McDonald - District Ranger
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Northeast Region - Hyattsville, Maryland
Elking Tarver - Audit Supervisor

Western Region - San Francisco, California
Ralph Childs - Supervisory Auditor

Department of the Interior Office of Inspector General

Western Region - Sacramento, California
Edgar Schlueter - Regional Audit Supervisor

 ENCLOSURE II

University of Nevada at Reno (Renewable Resources Center, Max C. Fleischmann College of Agriculture) - Reno, Nevada
Richard Eckert, Jr. - Research Range Scientist (Agricultural Research Service, USDA)

ENCLOSURE II

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OFFICES AND ORGANIZATIONS CONTACTED FOR
RIPARIAN RESTORATION REPORT
(GAO/RCED-88-105)

BUREAU OF LAND MANAGEMENT (BLM) OFFICES CONTACTED

BLM Headquarters - Washington, D.C.

BLM State, District, and Resource Area Offices

Arizona State Office - Phoenix, Arizona
  Phoenix District Office - Phoenix, Arizona
    Kingman Resource Area Office - Kingman, Arizona

Calfornia State Office - Sacramento, California
  Susanville District Office - Susanville, California
    Alturas Resource Area Office - Alturas, California

Colorado State Office - Denver, Colorado
  Canon City District Office - Canon City, Colorado

Idaho State Office - Boise, Idaho
  Salmon District Office - Salmon, Idaho
  Idaho Falls District Office - Idaho Falls, Idaho

Montana State Office - Billings, Montana
  Butte District Office - Butte, Montana
    Dillon Resource Area Office - Dillon, Montana

Nevada State Office - Reno, Nevada
  Elko District Office - Elko, Nevada
  Winnemucca District Office - Winnemucca, Nevada

New Mexico State Office - Santa Fe, New Mexico
  Roswell District Office - Roswell, New Mexico

Oregon State Office - Portland, Oregon
  Prineville District Office - Prineville, Oregon

Utah State Office - Salt Lake City, Utah
  Salt Lake City District Office - Salt Lake City, Utah

ENCLOSURE II

Wyoming State Office - Cheyenne, Wyoming
Rock Springs District Office - Rock Springs, Wyoming
Green River Resource Area Office - Rock Springs, Wyoming
Kemmerer Resource Area Office - Kemmerer, Wyoming

U.S. FOREST SERVICE (USFS) OFFICES CONTACTED

USFS Headquarters - Washington, D.C.

USFS Regional, National Forest, and Ranger District Offices

USFS Region 3: Southwestern Region - Albuquerque, New Mexico
Tonto National Forest - Phoenix, Arizona

USFS Region 4: Intermountain Region - Ogden, Utah
Sawtooth National Forest - Twin Falls, Idaho
Burley Ranger District - Burley, Idaho
Toiyabe National Forest - Sparks, Nevada
Austin Ranger District - Austin, Nevada

USFS Region 5: Pacific Southwest Region - San Francisco, California
Modoc National Forest - Alturas, California

USFS Region 6: Pacific Northwest Region - Portland, Oregon
Wallowa-Whitman National Forest - Baker, Oregon

USFS Research Station

Intermountain Forest and Range Experiment Station - Ogden, Utah
Forestry Sciences Laboratory - Boise, Idaho

OTHER ORGANIZATIONS AND INDIVIDUALS CONTACTED

Defenders of Wildlife - Washington, D.C.

National Cattlemen's Association - Washington, D.C.

Natural Resources Defense Council - Washington, D.C.

Nine individual permittees who cooperated in successful riparian restoration projects

Public Lands Council - Washington, D.C.

ENCLOSURE II

Public Lands Restoration Task Force, Izaak Walton League of America - Portland, Oregon

State cattlemen's associations in 10 states:
- Arizona
- California
- Colorado
- Idaho
- Montana
- Nevada
- New Mexico
- Oregon
- Utah
- Wyoming

ENCLOSURE II ENCLOSURE II

PERSONS CONTACTED FOR WILD HORSES REPORT
(GAO/RCED-90-110)

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BLM Headquarters - Washington, D.C.
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John Boyles - Chief, Wild Horses and Burros Division
Wilton Peterson - Acting Chief, Rangeland Management Branch
Oscar Peterson - Rangeland Resources
Mary Tisdale - Office of Deputy Director
Rory Raschen - Audit Coordination
June Wrona - Wild Horses and Burros Division
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BLM Colorado

BLM State Office - Lakewood, Colorado
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Canon City District Office - Canon City, Colorado
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Royal Gorge Resource Area Office - Canon City, Colorado
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BLM Eastern States

BLM State Office - Alexandria, Virginia
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Charlie Most - Chief, Public Affairs
Bob Ward - Public Affairs Specialist
Lili Thomas - Wild Horses and Burros

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Jackson District Office - Jackson, Mississippi
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Milwaukee District Office - Milwaukee, Wisconsin
Art DiGrazia - Wild Horses and Burros Specialist
John Winnepenninkx - Wild Horses and Burros Specialist

BLM Montana

BLM State Office - Billings, Montana
Marvin LeNoue - State Director
John Kwiatkowski - Deputy State Director
Ray Brubaker - Associate State Director
Don Heinze - Wild Horses and Burros Specialist
Jack Putsche - Law Enforcement

Miles City District Office - Miles City, Montana
Sandi Sacher - Associate District Manager
Verdie Laven - Range Conservationist
Dwight Conley - Wild Horses and Burros Specialist

Billings Resource Area Office - Billings, Montana
Bill McIlvain - Area Manager
David Jaynes - Supervisory Range Conservationist
Lynn Taylor - Compliance Inspector

Dickinson District Office - Dickinson, North Dakota
William Krech - District Manager
Lyle Chase - Range Conservationist

South Dakota Resource Area Office - Belle Fourche, South Dakota
Mark Stiles - Area Manager
William Crockford - Compliance Specialist

BLM Nevada

BLM State Office - Reno, Nevada
Ed Spang - State Director

ENCLOSURE II

Dan Rathbun - Deputy State Director, Lands and Renewable Resources
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Brad Hines - Range Specialist
Milt Frei - Wild Horses and Burros Specialist
David Goicoechea - Wildlife Biologist
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Battle Mountain District Office - Battle Mountain, Nevada
Rodger Bryan - Wild Horses and Burros Specialist

Tonopah Resource Area Office - Battle Mountain, Nevada
Ted Angle - Area Manager
Roger Oyler - Range Conservationist
Mike Ford - Wild Horses and Burros Specialist
Tom Pogacnik - Wild Horses and Burros Specialist

Carson City District Office - Carson City, Nevada
James Elliott - District Manager
Tim Reuwsaat - Wild Horses and Burros Specialist

Lahontan Resource Area Office - Carson City, Nevada
Mike Phillips - Area Manager
Andy Anderson - Supervisory Range Conservationist

Winnemucca District Office - Winnemucca, Nevada
Ron Wenker - District Manager
Robert Neary - Chief, Resources Branch
Richard Wheeler - Wild Horses and Burros Specialist

Sonoma-Gerlach Resource Area Office - Winnemucca, Nevada
Gerald Brandvold - Area Manager
Paul Jancar - Supervisory Range Conservationist
Ron Pearson - Range Conservationist
Tom Seley - Wild Horses and Burros Specialist
Dennis Tol - Wildlife Biologist

Ely District Office - Ely, Nevada
Bob Brown - Wild Horses and Burros Specialist

Egan Resource Area Office - Ely, Nevada
Gene Drais - Area Manager
Bill Lindsay - Range Conservationist

ENCLOSURE II

ENCLOSURE II

BLM New Mexico

BLM State Office - Santa Fe, New Mexico
Larry Pointer - Chief, Biological Resources Branch
Ken Kliber - Law Enforcement

Albuquerque District Office - Albuquerque, New Mexico
John Arwood - Range Conservationist
B. T. Frost - Range Conservationist
Bill Sharp - Range Conservationist

Oklahoma City Resource Area Office - Oklahoma City, Oklahoma
Elmer Walls - Wild Horses and Burros Supervisor
Nathan Skallman - Information Specialist
Jim Wade - Range Technician
Don Galloway - Compliance Inspector

BLM Wyoming

BLM State Office - Cheyenne, Wyoming
Ray Brubaker - State Director
Hillary Oden - State Director
Bill Eikenberry - Assistant State Director
Elbert Spencer - Chief, Bological Resources Branch
Gerald Federer - Range Conservationist
Don Glenn - Wild Horse Specialist

Rawlins District Office - Rawlins, Wyoming
John Spehar - Range Conservationist

Divide Resource Area Office - Rawlins, Wyoming
Bud Holbrook - Area Manager
Chuck Reed - Supervisory Range Conservationist
Leroy Smalley - Range Conservationist

Newcastle Resource Area Office - Newcastle, Wyoming
Don Peterson - Range Conservationist
Duck Rhea - Range Conservationist

Rock Springs District Office - Rock Springs, Wyoming
Jack Steinbrech - Chief, Wild Horses Branch

ENCLOSURE II ENCLOSURE II

REPRESENTATIVES OF OTHER ORGANIZATIONS

Alsask Processors (Edmonton, Alta., Canada) - Warren Jackson
American Veterinary Medical Association - Marcia Brody
American Horse Council - Amy Wallop
American Mustang and Burro Association (N.Y., Ala.) - Shirley Wagner, Donna Richards; Linda Rowell
American Horse Protection Association, Inc. - Russell Gaspar
American Humane Society - Dennis White
American Mustang World - Lenore Negri
Animal Protection Institute - Nancy Whitaker
Beltex Corporation (Fort Worth, Tex.) - Ned Little
Bouvriy Exports, Ltd. (Fort Macleod, Alta., Canada) - Tom Niers
Bureau of Indian Affairs, Rosebud Sioux Agency (S.D.) - Mike Carson
Carey Ranch Wild Horse Sanctuary - Jim Clapp
Central Nebraska Packing Company (North Platte, Neb.) - Jack Bond
Cheyenne River Sioux Indian Reservation (S.D.) - Roger Lawrence
Colorado Department of Corrections - Dr. Ron Zaidlicz, Tom Crago, Tony Bainbridge, Mickey Bostwick
Dallas-Crown, Inc. (Kaufmann, Tex.) - Ken Freeman
Department of Justice - Lee Kolker
Department of the Interior, Office of Regional Solicitor (Sacramento, Cal.) - Burton Stanley
Department of the Interior, Office of Solicitor (Headquarters, Washington, D.C.) - Kristina Clark
Equus - Rob Banner, Mary Kay Kannisch
Great Western Meats (Morton, Tex.) - Jim Weems
Horse Illustrated - Susan Behrens
Institute of Range and the American Mustang - Dayton Hyde, Alan Day, Pam Fuhrer
International Society for the Protection of Mustangs & Burros - Karen Sussman, John Borzea
LIFE Foundation - Barbara Pratt
Midwest Mustang and Burro Association - Charlene Johnson
Montana Board of Livestock - Les Graham
National Cattlemen's Association--Patty McDonald
Natural Resources Defense Council - Johanna Wald
Nevada Department of Agriculture - Thomas Ballow
Nevada Commission for the Preservation of Wild Horses - Terri Jay
New Mexico Department of Corrections - Lloyd McClendon, Fermin Ortega, Steve Gilson, Glen Ezell, John Tafoya
North Dakota Brand Inspection Board - Jack Chase
Office of the Governor, State of South Dakota - Roland Dolly, Ted Englund
Rock Springs Grazing Association - John Hay
South Dakota Community Foundation - Bernie Christenson

South Dakota Stockgrowers Association - Merton Glover
South Dakota Cooperative Extension Service - Terry Goehring
South Dakota Livestock Sanitary Board - Dr. Sam Holland
TransContinent Packing Company (Palestine, Tex.) - Gene Alexander
U.S. Attorney's Office (Billings, Mont.) - Pete Dunbar, James Seykora
Western Horseman - Rick Wood
Wibaux County (Montana) Extension Service - David Bertelson
Wild Horse and Burro Diary - Helen Reilly
Wild Horse Organized Assistance - Dawn Lappin
Wildlife Management Institute - Laurence R. Jahn, President

RESEARCHERS/SCIENTISTS/OUTSIDE TECHNICAL EXPERTS

Armstrong, Dr. Joe - Department of Veterinary Medicine, New Mexico State University
Carmel, Dr. Doug - Maryland Campus of the Virginia-Maryland Regional College of Veterinary Medicine, University of Maryland
Church, Dr. Gary - USDA Veterinary Services, Colorado
Lambert, Dr. Jack - Animal and Plant Health Inspection Service (APHIS), U.S. Department of Agriculture (USDA), Montana
Martin, Denny - APHIS, USDA, New Mexico
McLain, John - Certified Range Management Consultant (Carson City, Nev.)
Nepote, Dr. Kathy - Maryland Campus of the Virginia-Maryland Regional College of Veterinary Medicine, University of Maryland
Pier, Dr. A. C. - Veterinary Science, University of Wyoming
Turner, Dr. John - Medical College of Ohio
Wagner, Dr. Frederic - Utah State University
Wilmont, Dr. Delwin - Deputy State Veterinarian, Department of Agriculture, State of Nebraska
Wolfe, Dr. Michael - Utah State University

SUMMARY STATEMENT OF
JAMES R. RICHARDS
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1993

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TODAY AND TESTIFY ABOUT SOME OF THE MAJOR ISSUES FACING THE DEPARTMENT OF THE INTERIOR.

AT THE OUTSET, I WOULD LIKE TO MAKE IT CLEAR THAT MY TESTIMONY TODAY EXPRESSES ONLY THE VIEWS OF THE OFFICE OF INSPECTOR GENERAL.

THE DEPARTMENT FUNCTIONS ON A DECENTRALIZED BASIS WITH FIVE PROGRAM ASSISTANT SECRETARIES DIRECTING NINE VIRTUALLY AUTONOMOUS BUREAUS. THE OFFICE OF THE SECRETARY BASICALLY FUNCTIONS AS THE TENTH BUREAU WITH AN OVERALL MISSION OF PROVIDING CENTRAL LEADERSHIP FOR THE ENTIRE DEPARTMENT. THE BUREAUS HAVE MISSIONS WHICH ARE OFTEN IN CONFLICT WITH ONE ANOTHER, SUCH AS THE SPOTTED OWL CONTROVERSY INVOLVING THE BLM AND THE FWS, OR A BUREAU MAY HAVE CONFLICTING MISSIONS WITHIN ITSELF, SUCH AS THE NPS MISSIONS TO PRESERVE AND PROTECT NATURAL RESOURCES WHILE PROMOTING ACCESS AND ENJOYMENT FOR VISITORS. SOMETIMES THESE COMPETING AND CONFLICTING MISSIONS HAVE CONTRIBUTED TO INEFFECTIVE PROGRAM ADMINISTRATION AT BOTH THE DEPARTMENT AND THE BUREAU LEVEL. THROUGH OUR

AUDITS, WE HAVE IDENTIFIED SIGNIFICANT PROBLEMS, SOME OF WHICH I WOULD LIKE TO BRING TO YOUR ATTENTION. CORRECTIONS OF THESE PROBLEMS WOULD CONTRIBUTE TO REDUCED FEDERAL SPENDING, INCREASED FEDERAL REVENUES, AND IMPROVED SERVICES TO THE PUBLIC. HOWEVER, I DO NOT SUGGEST THAT SOLVING THESE AND OTHER PROBLEMS OR EFFECTING REFORMS AND IMPROVEMENTS WILL BE EASY OR SIMPLE. EACH BUREAU HAS A POWERFUL CONSTITUENCY THAT, LIKE ITS GOVERNMENT COUNTERPART, IS RESISTANT TO CHANGE.

LET ME BEGIN BY DISCUSSING SOME BASIC PROBLEMS ASSOCIATED WITH THE OFFICE THAT IS TASKED WITH PROVIDING MANAGEMENT OVERSIGHT AND GUIDANCE TO THE DEPARTMENT'S VARIOUS BUREAUS AND OFFICES. THAT OFFICE IS, OF COURSE, THE OFFICE OF ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET (PMB).

OFFICE OF THE ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET

FAILURE OF THE OFFICE OF THE ASSISTANT SECRETARY FOR POLICY, MANAGEMENT AND BUDGET TO PROVIDE EFFECTIVE OVERSIGHT AND LEADERSHIP HAS RESULTED IN CONTINUED INEFFICIENT AND INEFFECTIVE OPERATIONS BY INTERIOR'S HIGHLY DECENTRALIZED AND

AUTONOMOUS BUREAUS. FOR EXAMPLE:

CONVERSION OF 13 BUREAU ACCOUNTING SYSTEMS TO A SINGLE FINANCIAL MANAGEMENT SYSTEM HAS NOT YET RESULTED IN IMPROVED FINANCIAL ACCOUNTABILITY OR REPORTING;

THE DRUG-FREE WORKPLACE PROGRAM HAS NOT BEEN CONDUCTED IN AN IMPARTIAL MANNER AND NEEDS TO BE OVERHAULED;

THE LACK OF CENTRAL OVERSIGHT FOR PROCUREMENT ACTIVITIES HAS RESULTED IN INCONSISTENT, INAPPROPRIATE, OR DEFICIENT PROCUREMENTS BY DEPARTMENTAL BUREAUS AND OFFICES. PROBLEMS NOTED INCLUDE LACK OF AN ADEQUATE VALUE ENGINEERING PROGRAM, INADEQUATE CONTRACT ADMINISTRATION, AND INCORRECT DATA BEING REPORTED TO THE FEDERAL PROCUREMENT DATA SYSTEM;

VALUABLE ARTWORK AND ARTIFACTS OWNED BY THE DEPARTMENT WERE NOT ADEQUATELY ACCOUNTED FOR AND CONTROLLED TO PROTECT THEM FROM THEFT, FIRE AND ENVIRONMENTAL HAZARDS. IT TOOK THE PERSONAL INTERVENTION OF THE SECRETARY TO BRING REFORM. ALSO, PROPERTY VALUED AT ABOUT $390 MILLION

IN THREE BUREAUS HAS NOT BEEN ADEQUATELY CONTROLLED OR SAFEGUARDED AND IS SUSCEPTIBLE TO THEFT, WASTE, AND MISUSE; AND

THE LACK OF COORDINATION OF DEPARTMENTAL MAPPING ACTIVITIES HAS RESULTED IN DUPLICATION OF EFFORT AND COSTLY ACQUISITIONS. MMS IS SPENDING ABOUT $69 MILLION TO PURCHASE MAPPING CAPABILITY WHICH USGS ALREADY HAS AND BLM HAS SPENT $2 MILLION TO PRODUCE MAPS THAT DON'T MEET FEDERAL STANDARDS.

BUREAU OF RECLAMATION

RELUCTANCE OF THE BUREAU OF RECLAMATION TO TAKE NECESSARY MEASURES TO RECOVER MUCH OF ITS $16 BILLION CAPITAL INVESTMENT IN WATER RESOURCE PROJECTS HAS RESULTED IN UNDUE SUBSIDIES TO PROJECT BENEFICIARIES AT THE EXPENSE OF THE TAXPAYERS. FOR INSTANCE:

FAILURE TO PURSUE THE ISSUE OF CONCURRENT RECOVERY OF NONINTEREST-BEARING AND THE INTEREST-BEARING PORTIONS OF FEDERAL INVESTMENTS IN RECLAMATION PROJECTS FROM PROJECT

BENEFICIARIES COULD COST THE GOVERNMENT ABOUT $2 BILLION, OVER THE PERIOD OF REPAYMENT. THIS HAS A PRESENT VALUE OF ABOUT $415 MILLION.

CONTINUED IRRIGATION SUBSIDIES TO FARMERS WHO ALSO RECEIVE SUBSIDIES FROM THE DEPARTMENT OF AGRICULTURE TO LIMIT PRODUCTION OF CROPS IN EXCESS SUPPLY RESULTS IN DUAL SUBSIDIES OF ABOUT $66 MILLION ANNUALLY.

FAILURE TO ESTABLISH AN ADEQUATE WATER RATE-SETTING POLICY FOR THE CENTRAL VALLEY PROJECT HAS RESULTED IN CONTINUED COST-RECOVERY DEFICIENCIES. IT TOOK THE BUREAU ELEVEN YEARS TO PRODUCE A DRAFT POLICY AND IT IS INADEQUATE.

FAILURE TO FOLLOW SECRETARIAL GUIDANCE IN ESTABLISHING THE INTEREST RATE FOR REPAYMENT OF THE SAN FELIPE WATER FACILITIES WILL RESULT IN AN UNDUE $425 MILLION SUBSIDY, OVER THE LIFE OF THE LOAN.

FAILURE TO DECLARE THE CENTRAL ARIZONA PROJECT COMPLETE WILL RESULT IN REDUCED COST RECOVERIES AND REVENUES

AMOUNTING TO ABOUT $21 MILLION THIS YEAR AND ANOTHER $36 MILLION OVER THE LIFE OF THE LOAN.

FAILURE TO ESTABLISH A POLICY FOR DETERMINING VALUES FOR WATER PROJECTS OFFERED FOR SALE TO STATES AND LOCAL UTILITIES MAY RESULT IN SIGNIFICANT LOSSES TO THE U.S. TREASURY. IT IS PARTICULARLY IMPORTANT TO DEVELOP SUCH A POLICY SINCE THE DEPARTMENT IS NEGOTIATING WITH CALIFORNIA TO TRANSFER THE CENTRAL VALLEY PROJECT TO THE STATE.

BUREAU OF MINES

ALTHOUGH THERE IS NO DEMONSTRATED NEED FOR THE FEDERAL GOVERNMENT TO BE IN THE HELIUM BUSINESS, THE BUREAU OF MINES HAS CONTINUED TO OPERATE A HELIUM PROGRAM AND HAS ACCUMULATED OVER $1 BILLION IN DEBT.

BUREAU OF LAND MANAGEMENT

ALTHOUGH THE BUREAU OF LAND MANAGEMENT HAS REPEATEDLY MAINTAINED THAT IT DOES NOT HAS SUFFICIENT RESOURCES TO ACCOMPLISH ITS MISSION, IT HAS CONTINUED TO IGNORE

RECOMMENDATIONS MADE TO MORE EFFICIENTLY USE ITS EXISTING RESOURCES, MOST NOTABLY, RECENT RECOMMENDATIONS FOR REORGANIZING ITS THREE-TIER ORGANIZATIONAL FIELD STRUCTURE.

IN ADDITION, ITS FAILURE TO PERFORM ACTIVITIES SUCH AS PRECOMMERICIAL THINNING, FERTILIZATION, AND PLANTATION MAINTENANCE NEEDED TO SUSTAIN TIMBER GROWTH FOR FUTURE TIMBER SALES (IN OTHER THAN OLD GROWTH FOREST) WILL RESULT IN THE LOSS OF ALMOST $2 BILLION IN FUTURE REVENUES.

BLM'S FAILURE TO DEVOTE ADEQUATE RESOURCES TO ENSURE THAT VIABILITY OF THE BUREAU'S DRAINAGE PROTECTION PROGRAM MAY RESULT IN THE LOSS OF $74 MILLION IN ROYALTIES.

FEES CHARGED FOR GRAZING PERMITS ON FEDERAL LANDS DO NOT REFLECT THE TRUE MARKET VALUE OF THE PERMITS. AS A RESULT, THE BUREAU INCURS OVER $30 MILLION ANNUALLY IN UNRECOVERED COSTS TO MANAGE THE GRAZING PROGRAM WHILE PERMIT HOLDERS MAKE PROFITS OF UP TO $5 MILLION ANNUALLY BY SUBLEASING THEIR GRAZING PRIVILEGES. AT LEAST THE BUREAU SHOULD REQUIRE LARGE CORPORATE CONGLOMERATES TO PAY THE ACTUAL COST OF THE GRAZING PROGRAM SINCE THEY

REPRESENT ONLY THREE PERCENT OF THE 19,000 PERMIT HOLDERS BUT USE THIRTY-FIVE PERCENT OF THE TOTAL ACREAGE UNDER PERMIT.

OVER $5 MILLION ANNUALLY IS LOST BY NOT CHARGING USER FEES FOR PROCESSING APPLICATIONS FOR GEOPHYSICAL EXPLORATIONS ON PUBLIC LANDS;

FAILURE TO PERFORM EFFECTIVE INSPECTION AND ENFORCEMENT ACTIVITIES ASSOCIATED WITH THE PLUGGING OF OIL AND GAS WELLS, TO REQUIRE OPERATORS TO RECLAIM HARDROCK MINING SITES, AND TO PREVENT UNAUTHORIZED LANDFILL AND TRASH DISPOSAL SITES HAS PLACED A TREMENDOUS POTENTIAL LIABILITY ON THE FEDERAL GOVERNMENT; AND

THE BUREAU'S THREE-TIER FIELD ORGANIZATION HAS RESULTED IN A DUPLICATION OF PROGRAM OVERSIGHT FUNCTIONS AND IN EXCESSIVE ADMINISTRATIVE COSTS AMOUNTING TO ABOUT $49 MILLION ANNUALLY. THE BUREAU'S DECENTRALIZED FIELD OFFICES UTILIZE ABOUT FIFTY PERCENT OF THEIR MANPOWER FOR ADMINISTRATIVE AND PROGRAM OVERSIGHT PURPOSES. THUS, THERE IS MUCH DUPLICATION AND REDUNDANCY IN THE STATE,

DISTRICT AND RESOURCE AREA OFFICES. FOR EXAMPLE, A PETROLEUM ENGINEER AT THE RESOURCE AREA OFFICE PERFORMS VARIOUS OPERATIONAL DUTIES SUCH AS REVIEWING AND APPROVING APPLICATIONS TO DRILL, FLARE AND VENT AND INSPECTING PRODUCTION FACILITIES. A PETROLEUM ENGINEER SERVING AS A PROGRAM LEADER AT THE DISTRICT OFFICE WILL MONITOR BUDGETS AND EXPENDITURES, TRACK AND COUNT ACCOMPLISHMENTS OF THE RESOURCE ENGINEERS, AND PREPARE BUDGET SUBMISSIONS, BUT WILL DO LITTLE, IF ANY, OPERATIONAL WORK. THE STATE OFFICE PROGRAM LEADER, WHO IS ALSO A PETROLEUM ENGINEER, MONITORS DISTRICT BUDGETS AND EXPENDITURES, TRACKS AND COUNTS THE ACCOMPLISHMENTS OF THE DISTRICTS, AND PREPARES STATE OFFICE BUDGET SUBMISSIONS, BUT DOES LITTLE OR NO OPERATIONAL WORK. FINALLY, ALL THE STATE OFFICES REPORT TO A PROGRAM LEADER IN HEADQUARTERS, WHO PERFORMS THE SAME FUNCTION AS THE STATE AND DISTRICT PROGRAM LEADERS.

MINERALS MANAGEMENT SERVICE

ALTHOUGH THE MINERALS MANAGEMENT SERVICE HAS MADE IMPROVEMENTS IN ITS ROYALTY MANAGEMENT PROGRAM, HIGHLY

SIGNIFICANT ISSUES REMAIN AND MUST BE ADDRESSED. ISSUES TO BE DISCUSSED INCLUDE THE FOLLOWING:

IMPROVEMENTS ARE NEEDED IN THE SERVICE'S AUDIT PROGRAM TO ENSURE THAT ROYALTY UNDERPAYMENTS ARE IDENTIFIED IN A TIMELY MANNER, AND

APPROPRIATE RESOLUTION OF THE ISSUES OF TERMINATING CONTRACT AGREEMENTS (BUYOUTS) AND OF AMENDING CONTRACTS TO LOWER GAS PRICES AND VOLUME REQUIREMENTS (BUYDOWNS) FOR GAS CONTRACT SETTLEMENT AGREEMENTS COULD RESULT IN ADDITIONAL ROYALTIES OF UP TO $754 MILLION.

OFFICE SURFACE MINING RECLAMATION AND ENFORCEMENT

THE OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT HAS BEEN RELUCTANT TO INITIATE LEGISLATIVE CHANGES NEEDED TO IMPROVE SERIOUS DEFICIENCIES ASSOCIATED WITH THE RECLAMATION PROGRAM FOR COAL AND NONCOAL MINING SITES. ONLY TWO PERCENT OF ABANDONED COAL MINE SITES INVOLVING HEALTH, SAFETY AND ENVIRONMENTAL HAZARDS HAVE BEEN RECLAIMED.

NATIONAL PARK SERVICE

THE NATIONAL PARK SERVICE HAS FAILED TO NEGOTIATE REASONABLE FRANCHISE FEES; TO IMPLEMENT AN EFFECTIVE ENTRANCE FEE COLLECTION PROGRAM; AND TO REDUCE ITS BACKLOG OF MAINTENANCE PROJECTS FOR ROADS, BUILDINGS, AND EMPLOYEE HOUSING (ESTIMATED TO COST ABOUT $2 BILLION). FOR EXAMPLE:

CONCESSIONERS REAPED WINDFALL PROFITS OF ABOUT $83 MILLION DURING A RECENT 5-YEAR PERIOD AND HAVE CONTINUED TO REALIZE SUCH PROFITS OF UP TO $22 MILLION ANNUALLY BECAUSE OF UNREASONABLY LOW FRANCHISE FEES.

AT LEAST $71 MILLION MAY NOT BE RECOVERED BECAUSE THE PARK SERVICE HAS NOT PURSUED COST RECOVERY OF CAPITAL INVESTMENTS IN UTILITY SYSTEMS FROM WHICH CONCESSIONERS AND INHOLDERS BENEFITTED.

MORE AGGRESSIVE ACTION COULD RESULT IN THE COLLECTION OF AN ADDITIONAL $17 MILLION IN ENTRANCE FEES AT PARKS WHERE FEES ARE PERMITTED AND $151 MILLION COULD BE COLLECTED AT OTHER PARKS IF LEGISLATIVE AND OTHER RESTRICTIONS

PROHIBITING FEES WERE REMOVED.

FAILURE TO REQUEST ADDITIONAL FUNDING NEEDED FOR NATURAL RESOURCE AND MAINTENANCE PROJECTS HAS RESULTED IN A TREMENDOUS BACKLOG OF SUCH PROJECTS THAT MUST BE COMPLETED IN ORDER TO PREVENT OR MITIGATE KNOWN THREATS.

U.S. FISH AND WILDLIFE SERVICE

RECOVERY COSTS FOR PRESENTLY KNOWN ENDANGERED SPECIES IS ESTIMATED AT $4.6 BILLION; HOWEVER, THIS ESTIMATE DOES NOT INCLUDE RECOVERY COSTS FOR ABOUT 3,600 SPECIES NOT YET OFFICIALLY LISTED AS ENDANGERED BUT WHICH HAVE BEEN IDENTIFIED AS MERITING PROTECTION. SINCE TOTAL RECOVERY RESOURCES AVAILABLE TO THE U.S. FISH AND WILDLIFE SERVICE AMOUNTS TO ONLY $8.4 MILLION ANNUALLY, IT IS DOUBTFUL THAT THE U.S. FISH AND WILDLIFE SERVICE CAN PERFORM THIS MISSION.

BUREAU OF INDIAN AFFAIRS

THE BUREAU OF INDIAN AFFAIRS LACKS THE EXPERTISE, SYSTEMS, AND INDEPENDENCE TO EFFECT SIGNIFICANT IMPROVEMENTS IN ITS

OPERATIONS, WHICH HAVE BEEN FRAUGHT WITH SEVERE DEFICIENCIES AND WEAKNESSES. HERE ARE SOME EXAMPLES:

THE OFFICE OF MANAGEMENT AND BUDGET AND THE GENERAL ACCOUNTING OFFICE HAVE CLASSIFIED THE BUREAU'S ACCOUNTING AND FINANCIAL OPERATIONS AS "HIGH RISK", BUT DUE TO THE EFFORTS OF AN OMB/DEPARTMENT TASK FORCE, IMPROVEMENTS ARE BEING MADE.

DECENT, SAFE, AND SANITARY HOUSING HAS NOT BEEN PROVIDED FOR MANY INDIANS ELIGIBLE FOR SUCH ASSISTANCE.

DEFICIENCIES IN ACCOUNTING AND FINANCIAL MANAGEMENT, ESPECIALLY TRUST FUND ACCOUNTING, HAVE ADVERSELY AFFECTED OPERATIONS OF THE BUREAU'S PROGRAMS AND THE LIVES OF NATIVE AMERICANS. FOR INSTANCE, THE BIA ACCOUNTING SYSTEM HAS BEEN CONVERTED TO FFS BUT TRAINED PERSONNEL ARE STILL NOT AVAILABLE TO OPERATE IT AND MUCH WORK NEEDS TO BE DONE.

MISMANAGEMENT OF NATURAL RESOURCES, ESPECIALLY THE BUREAU'S TIMBER PROGRAM, HAS RESULTED IN THE LOSS OF

INCOME TO INDIVIDUAL INDIANS.

EDUCATIONAL FACILITIES THAT ARE SAFE, HEALTHY, AND CONDUCIVE TO A QUALITY EDUCATION HAVE NOT BEEN PROVIDED FOR INDIAN CHILDREN.

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

INEFFECTIVE OVERSIGHT BY THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS AND DEEP-SEATED UNRESOLVED PROBLEMS IN FINANCIAL MANAGEMENT AND PROGRAM ADMINISTRATION BY INSULAR GOVERNMENTS HAVE RESULTED IN SUBSTANTIAL INEFFICIENCIES IN THE OPERATIONS OF THE GOVERNMENTS AND IN SIGNIFICANT WASTE OF FEDERAL AND LOCAL FUNDS.

THE ISSUES I HAVE DISCUSSED HERE TODAY ARE NOT INTENDED TO INCLUDE ALL OF THE VAST ARRAY OF PROBLEMS WITHIN THE DEPARTMENT OF THE INTERIOR AND ITS BUREAUS. WE HAVE NOT ALWAYS BEEN ABLE TO ENSURE COMPLETE COVERAGE OF ALL PROGRAMS. HOWEVER, OUR GOAL REMAINS TO CONCENTRATE ON EVALUATING THE PERFORMANCE OF THE DEPARTMENT AND ITS BUREAUS. I FURTHER BELIEVE THAT IF THE DEPARTMENT AND ITS

BUREAUS WOULD IMPLEMENT THE RECOMMENDATIONS WE HAVE MADE IN OUR AUDIT REPORTS, INTERIOR'S OPERATIONS WOULD BE IMPROVED, WITH A RESULTANT BENEFIT OF REDUCTION IN COSTS AND INCREASES IN REVENUES.

THIS CONCLUDES MY PREPARED STATEMENT. I WOULD BE HAPPY TO RESPOND TO ANY QUESTIONS THE COMMITTEE MAY HAVE CONCERNING THE AFOREMENTIONED ISSUES.

United States General Accounting Office

GAO

Annual Report to the Chairmen, House and Senate Committees on Appropriations

January 1993

STATUS OF OPEN RECOMMENDATIONS

Part B: Improving Resources, Community, and Economic Development Programs

GAO/OP-93-1B

Natural Resources Management

Issue Area Summary

Impact of GAO's Work

Natural resources on federal lands are vital for both economic and cultural reasons and involve vast amounts of energy fuels and other minerals, timber, rangeland, water, fish and wildlife habitat, recreation areas, areas of scenic beauty, historic and cultural sites, and artifacts.

Responsibility for managing and protecting natural resources on federal lands rests with the Department of the Interior, the Department of Agriculture's Forest Service, and the U S Army Corps of Engineers. Together, they own and control about one-third (700 million acres) of the country's land surface, even more of the country's subsurface mineral rights, rights to minerals beneath a billion acres of ocean floor, and 25,000 miles of inland and intercoastal waterways. For fiscal years 1992 and 1993, budget authorities for natural resources were about $15 billion.

Our past recommendations cluster around two themes.

First, we believe that the nation should receive a fair return for the sale or use of mineral, renewable, and other natural resource assets on federal lands. We have made numerous recommendations to the Congress and the executive branch that, if implemented, could increase federal revenues by as much as $1 billion annually. Legislation, yet to be enacted, has been introduced and hearings held on all of our key legislative proposals.

Second, we believe that federal land-managing agencies must be more effective stewards over the natural and cultural resources that they are responsible for. We have made recommendations to the Departments of Interior and Agriculture to restore the proper balance between conservation and other uses of renewable natural resources on public lands. Though the agencies have not always agreed with our positions, we continue to see positive signs that a change in philosophy is occurring.

Key Open Recommendations

Hard-Rock Mining on Federal Lands

In March 1989, we recommended that the Congress eliminate the law's patenting provision that allows valuable federal land to pass into private ownership or, should the Congress decide not to eliminate this provision, amend the law to require that the federal government obtain fair market value for the land patented. Legislation that would accomplish the intent of our recommendations was introduced in the Senate and House in both the 101st and 102nd Congresses. The authorizing committees are considering comprehensive mining law revision. (GAO/RCED-89-72, see p 345.)

Federal Water Subsidies

In our October 1989 report on abuses of federal water subsidies, we recommended that the Congress amend the Reclamation Reform Act of 1982 to limit federally subsidized water to no more than 960 acres of leased and/or owned land being operated as one farm. In August 1991, we reported on problems associated with irrigation practices carried out under water service contracts in California's Central Valley Project. We recommended that the Congress place a moratorium on renewing irrigation contracts and amend the authorizing act to explicitly allow contract renewals for lesser quantities of water and shorter periods of time. The 1992 omnibus water bill sent to the President for signature in late 1992 generally included our recommendations. (GAO/RCED-90-6, see p. 369, and GAO/RCED-91-175, see p. 361.)

Recreational Activities on Federal Lands

In June and July 1991 and May 1992, we made several recommendations toward achieving greater consistency in managing recreation concession operations on federal lands and protecting future federal interests. Several bills were introduced during the 102nd Congress to reform concession operations, but little action has been taken. Concession reform legislation is expected to be reintroduced because of the number of large concession contracts coming up for renewal. (GAO/RCED-91-163, see p. 347; GAO/RCED-91-174, see p. 342; and GAO/T-RCED-92-66, see p. 356.)

Below-Cost Timber Sales

In April 1991 testimony, we stated that the federal government was not recovering timber sale preparation and administration expenses, resulting in below-cost timber sales. The Forest Service has developed a below-cost policy that addresses our recommendations; however, its implementation has been delayed because of its potential economic impact. We also recommended two additional actions. (GAO/T-RCED-91-42, see p. 349.)

Products With Open Recommendations: Natural Resources Management

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	Federal Land Acquisition: Land Exchange Process Working But Can Be Improved (RCED-87-9)	344

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Abandoned Mine Reclamation: Interior May Have Approved State Shifts to Noncoal Projects Prematurely

RCED-91-162, 06/07/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reported on the Department of the Interior's Office of Surface Mining Reclamation and Enforcement's (OSMRE) process for allowing states to spend federal surface coal mine reclamation funds to address noncoal reclamation problems, focusing on whether OSMRE ensured that states met the certification requirements.

Findings

GAO found that: (1) the OSMRE certification review process did not ensure that states addressed all sites adversely affected by past coal mining practices prior to OSMRE approval of state requests to use federal funds for noncoal reclamation; (2) OSMRE funded reclamation projects in accordance with Surface Mining Control and Reclamation Act of 1977 (SMCRA) priorities related to public health, safety, and general welfare, restoration of land and water resources and the environment, research and development, and public facilities and land; (3) to receive discretionary funds, states needed to show that they had reclamation needs as reflected in a national inventory of abandoned coal mine land problem areas; (4) coal-related reclamation projects competed with noncoal reclamation sites for funds that were limited to state share monies; (5) when approving a certification request, OSMRE did not independently verify whether a state had addressed all priority-3 through -6 coal projects, relying on the governor's certification statement that all coal problems had been addressed; (6) the lack of OSMRE policy and guidance to address SMCRA certification requirements contributed to the confusion over certification; and (7) OSMRE did not effectively communicate that states would lose further access to discretionary funds once the certification had been approved

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Director, OSMRE, to adopt policies consistent with SMCRA and require reasonable assurance that all eligible coal projects, including priority-3 through -6 projects, have been addressed before approving state requests for certification. To assist its field offices and the states in accomplishing this, OSMRE should develop written policy and guidance on how: (1) all coal reclamation projects are to be identified and addressed; and (2) OSMRE will verify a state's certification request.

Status: Action in process. Interior included the recommended policy and guidance in a proposed rule issued November 8, 1991. The final rule is anticipated in late 1992.

Recommendation: The Secretary of the Interior should direct the Director, OSMRE, to formally notify states of OSMRE policy regarding the implications of certification, which is a state can no longer share in the Secretary's discretionary funds once its request for certification has been approved.

Status: Action in process. Interior included the recommended guidance in a proposed rule issued November 8, 1991. The final rule is anticipated in late 1992.

Bureau of Indian Affairs: Long-Standing Internal Control Weaknesses Warrant Congressional Attention

RCED-92-118, 05/08/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Bureau of Indian Affairs' (BIA) implementation of its Social Services Program, focusing on whether BIA consistently applied internal controls in the general assistance and burial assistance program components.

Findings

GAO found that, in the general assistance program component, BIA: (1) did not document whether assistance recipients were also receiving assistance through the Aid to Families with Dependent Children or Supplemental Security Income programs; (2) made multiple payments to the same individual; (3) inconsistently computed prorated payments, due to area offices' different interpretations of BIA guidance; and (4) does not adequately control access to its computerized payment system or properly separate the duties of program staff, making the system vulnerable to fraud and waste. GAO also found that, in the burial assistance program component, BIA: (1) did not verify or document the available resources of decedents before approving assistance payments; and (2) inconsistently required documentation and allowed different levels of compensation for burial expenses. In addition, GAO found that BIA: (1) has not established or maintained key internal controls for either program component regarding eligibility determinations, employee supervision, computer system access, or payment reviews; (2) has not successfully corrected long-standing internal control weaknesses and has reprogrammed quality control staff resources for other program purposes; and (3) needs to take immediate corrective action to resolve those weaknesses and demonstrate an agencywide commitment to establishing and maintaining effective internal controls.

Open Recommendations to Congress

Recommendation: The cognizant Senate and House committees should consider requiring BIA to: (1) develop a comprehensive management or strategic plan with measurable objectives and milestones and specific organizational responsibilities delineated within the organization for correcting systemic internal control weaknesses; and (2) periodically report to Congress on its progress in meeting the plan's progress. **Status:** Action not yet initiated

Bureau of Reclamation: Central Valley Project Cost Allocation Overdue and New Method Needed

RCED-92-74, 03/31/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed how the Bureau of Reclamation allocates construction costs for the Central Valley Project (CVP), the Bureau's largest water resource project.

Findings

GAO found that: (1) the Bureau gave limited attention to the congressional mandate to implement an updated cost allocation study by January 1988, mainly because of funding and staffing constraints; (2) the Bureau included inappropriate costs and made questionable estimates of project benefits and alternative costs in its 1988 draft study, and public comments on the study cited similar concerns; (3) the Bureau charges rates to its CVP water users that are based on the cost allocation percentages it developed in 1970 and updated in 1975; (4) delays in properly allocating CVP costs could result in the

government recouping less of its capital investment, because the value of the dollar received years later will be less than if those dollars were timely received; and (5) although the Bureau has agreed to explore alternate allocation approaches it continues to rely on its current methodologies, which could cause additional delay in developing an acceptable cost allocation.

Open Recommendations to Agencies

Recommendation: To complete the CVP cost allocation expeditiously, the Secretary of the Interior should direct the Commissioner of the Bureau of Reclamation to use less costly and more timely methodologies to update the CVP cost allocation study. GAO has suggested two approaches: (1) allocating joint costs in direct proportion to specific costs; or (2) allocating joint costs on the basis of use.
Status: Action in process. Estimated completion date: 09/93. The Department of the Interior concurs with the recommendations. The Bureau of Reclamation is completing the CVP cost allocation-based units current method, as well as one of the approaches recommended by GAO. The Bureau will then assess the results of both methods and determine which methodology is most appropriate.

Bureau of Reclamation: Federal Interests Not Adequately Protected in Land-Use Agreements

RCED-91-174, 07/11/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Bureau of Reclamation's land-use agreements with Scottsdale, Arizona, to determine whether the: (1) terms and conditions of the agreements are consistent with federal law; (2) activities approved under the agreements are consistent with applicable agency policies and guidance; and (3) potential exists for the Bureau to enter into similar agreements elsewhere.

Findings

GAO found that: (1) although the Bureau of Reclamation must approve development plans, it does not have adequate monitoring and oversight policies and procedures to ensure that lessees developed and operated facilities in accordance with the agreements; (2) in two separate agreements, transferring about 760 acres of land to Scottsdale for recreational development, local Bureau officials agreed to the long-term use of those lands with no compensation to the federal government, approved several for-profit activities, approved a reservation policy granting priority access to a select group of facility users, and allowed private operators to set public-use fees without verifying the data used to set such fees; (3) Bureau instructions governing land-use agreements do not address the issue of public access or public-use fees; (4) Scottsdale did not compensate the Bureau for the use of its lands because local Bureau officials decided that no fee compensation was warranted under the agreements, since leasing the lands supported the Bureau's goal of providing its land for recreation; and (5) the Bureau had authority to enter into agreements to promote the development of land in the public interest for recreation, but typically negotiated such agreements at the regional or local level and did not maintain centralized information, making it difficult to determine whether similar agreements were pending.

Open Recommendations to Agencies

Recommendation: In order to ensure that federal interests are adequately protected in any future agreements for the nonfederal use of Bureau lands for recreation, the Secretary of the Interior should direct the Commissioner of the Bureau of Reclamation to expeditiously establish policies and guidance on when and under what conditions: (1) the government should be compensated for the use of Bureau lands; (2) public access restrictions are permissible; and (3) private operators should be allowed to establish public-use fees.
Status: Action in process. Revisions are being made to current Bureau policy and regulations to address this issue. Completion of revisions is targeted for late 1992.

Recommendation: In order to ensure that federal interests are adequately protected in any future agreements for the nonfederal use of Bureau lands for

recreation, the Secretary of the Interior should direct the Commissioner of the Bureau of Reclamation to expeditiously establish policies and guidance on what constitutes the appropriate development of lands in the public interest for recreation.
Status: Action in process. Revisions are being made to current Bureau policy and regulations to address this issue. Completion of revisions is targeted for late 1992.

Coastal Barriers: Development Occurring Despite Prohibition Against Federal Assistance

RCED-92-115, 07/17/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO provided information on: (1) development in Coastal Barrier Resources System (CBRS) since the enactment of the Coastal Barrier Resources Act (CBRA); (2) the extent to which federal financial assistance is being prohibited within CBRS; (3) the effectiveness of federal agency processes to certify compliance with CBRA; and (4) the types and impact of federal regulatory activities within CBRS.

Findings

GAO found that: (1) 9 of 34 CBRS units have significant development underway since CBRA enactment; (2) particularly attractive CBRS units are prone to private development due to geographical makeup, accessibility, and a lack of alternative developable coastal land; (3) development on coastal barriers interferes with land mass movement, wildlife habitat, and inland protection from storms; (4) the Air Force and the Federal Emergency Management Agency (FEMA) provided assistance to property owners within CBRS, contrary to CBRA prohibitions; (5) federal agencies did not comply with certification process requirements or implement revised regulations for the certification process; and (6) the cumulative effect of added CBRS units and permits for dredging or filling threatens wetlands and adjacent aquatic habitats.

Open Recommendations to Agencies

Recommendation: To ensure that federal flood insurance policies are not written for properties in CBRS units, the Director, FEMA, should identify and cancel all ineligible federally underwritten flood insurance policies that now exist in CBRS units.
Status: Action not yet initiated. FEMA is studying the feasibility of using scientific mapping to determine the location of CBRS unit properties by latitude and longitude coordinates through the use of digital information from satellites.

Recommendation: To ensure that federal flood insurance policies are not written for properties in CBRS units, the Director, FEMA, should establish procedures to ensure that such policies are not underwritten in the future.
Status: Action not yet initiated. Satellite mapping will be studied as a means to better identify CBRS unit properties so that FEMA will not underwrite inappropriate policies.

Recommendation: To correct the inappropriate granting of financial assistance at Eglin Air Force Base, the Secretary of the Air Force should determine the fair market value of the land easement and undertake to obtain that value from the Mid-Bay Bridge Authority.
Status: Action not yet initiated. The Air Force disagreed with the GAO recommendation.

Recommendation: The Secretary of the Interior, as the agency head charged with providing a designee to serve as the chairperson for the Coastal Barriers Task Force, should promptly name his designee and encourage the other 10 agencies to promptly name their designees and direct the designated chairperson to promptly convene the task force to begin its work.
Status: Action not yet initiated. The Department of the Interior has deferred action on the task force until such time as Congress provides funding for the task force to do its work.

Recommendation: The Secretary of the Air Force should ensure that future Air Force actions are consistent with the

CBRA attempt to discourage development on certain coastal barriers	by prohibiting new federal expenditures and financial assistance.	**Status:** Action not yet initiated. The Air Force disagreed with the GAO recommendation.

Federal Land Acquisition: Land Exchange Process Working But Can Be Improved

RCED-87-9, 02/05/87 GAO Contact: James Duffus, III, (202)275-7756

Background

In response to a congressional request, GAO reviewed the programs that the Department of Agriculture's (USDA) Forest Service and the Department of the Interior's Bureau of Land Management (BLM) use to plan, negotiate, and implement land exchanges.

Findings

GAO found that the land exchange process is working well, since both BLM and the Forest Service: (1) have established and followed procedures governing land exchanges; and (2) notify and negotiate with state and local governments about exchange proposals early in the exchange process to avoid disagreements. GAO also found that: (1) both agencies need to consistently record the costs of processing exchange proposals to ensure the best budgeting and planning decisions; (2) both agencies follow practices, such as adjusting appraised values to reach equal value, which the Federal Land Policy and Management Act (FLPMA) does not allow, since the government receives lands that are not equal to those it conveys; and (3) although pooling increased the agencies' effectiveness in disposing of scattered tracts of federal land for a desirable parcel, neither agency has evaluated pooling to determine whether its use is in the interest of the government and the public.

Open Recommendations to Agencies

Recommendation: The Secretaries of Agriculture and the Interior should direct the Chief, Forest Service, and the Director, BLM, respectively, to evaluate the use of pooling to determine whether it is in their interest to continue using it. If pooling is continued, then the agencies should develop policies to promote and control its use.
Status: Action in process. Estimated completion date: 01/93. Both USDA and Interior have determined that pooling is a viable approach and have jointly revised and reissued their new land exchange regulations to include common structures and terms. The new proposed rule was published on October 2, 1991. However, due to the President's 90-day moratorium on federal regulations and the consequent backlog, the final rulemaking is not expected until January 1993.

Federal Land Management: The Mining Law of 1872 Needs Revision

RCED-89-72, 03/10/89 GAO Contact: James Duffus, III, (202)275-7756

Background

In response to a congressional request, GAO reviewed various aspects of the Mining Law of 1872, focusing on the: (1) law's patent provision; (2) law's requirement that unpatented claim holders annually perform a minimal amount of work to develop their mineral claims; and (3) amendments needed to bring the law's provisions more in line with existing national natural resource policies.

Findings

GAO found that: (1) the work requirement no longer promoted mineral development, was difficult to enforce, and occasionally resulted in land damage; (2) much of the work was difficult to verify because there was often little or no physical evidence of the work performed and the work performed did little to bring the claims closer to development; (3) some claim holders needlessly scarred the land to make it appear that they complied with the annual work requirement; and (4) replacing the annual work requirement with an annual holding fee would reduce damage to federal lands, eliminate difficult annual work requirement certification and enforcement, and result in clearance of more inactive, invalid, or abandoned claims. GAO also found that: (1) the government received less than $4,500 for 20 patents issued since 1970 that had an estimated worth of between $13.8 million and $47.9 million; (2) as of October 1987, 265 patent applications were pending for more than 80,000 acres of public land; (3) if the government patented all of the land in the 12 sites reviewed, it would receive about $16,000 for land appraised at between $14.4 million and $47.1 million; (4) although the Land Policy and Management Act requires that the government receive fair market value for disposable public lands, about 157,000 acres of public lands have passed into private ownership for the nominal mining law patent fee since 1978; and (5) the federal government has never collected revenues from the sale of hardrock minerals, as it does for fuel and common minerals, and loses the opportunity to do so when public lands pass into private ownership.

Open Recommendations to Congress

Recommendation: Congress should amend the Mining Law of 1872 to eliminate the patenting of both hardrock minerals and the land required to mine them. This change would not only permit the land to remain under federal ownership, it would also provide the government the opportunity in the future to collect revenues for the hardrock minerals extracted.
Status: Action in process.

Recommendation: If Congress decides not to eliminate the patenting provision, it should either: (1) permit claim holders to patent only the minerals, thereby retaining the land in federal ownership; or (2) require that the federal government obtain fair-market value for the lands patented. Under either option, the claim holder still should be required to pay an annual holding fee.
Status: Action in process.

Congressional Action: During the 102nd Congress, both the House and Senate reintroduced bills which would substantially address all of the report's recommendations. The House-passed 1993 Interior appropriations bill includes a moratorium on patenting. The Senate version allows patenting but requires payment of fair market value for the land. Patenting still remains an issue but the fiscal year 1993 appropriations act for Interior does require payment of an annual $100 per claim holding fee.

Federal Land Management: Unauthorized Activities Occurring on Hardrock Mining Claims

RCED-90-111, 08/17/90 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed unauthorized nonmining surface activities occurring on mineral mining claims on federally owned land managed by the Bureau of Land Management (BLM) and the Forest Service.

Findings

GAO found that: (1) out of 662,000 mining claims in Arizona, California, and Nevada, about 1,600 have known or suspected unauthorized activities occurring on them; (2) claim holders did not have to prove discovery of a valuable mineral deposit to maintain their claims, unless the government challenged the validity of their claims; (3) some claim holders are using their claims for unauthorized residences, illegal activities, or speculative activities not related to legitimate mining; (4) unauthorized residences have resulted in several problems, including blocked access or rights-of-way, environmental eyesores caused by abandoned vehicles, dumped garbage, and unauthorized road construction; and (5) BLM and the Forest Service could act to reduce unauthorized activities on mining claims.

Open Recommendations to Congress

Recommendation: To discourage more claim holders not intent on developing their claims and more activities not incidental to mining, Congress should amend the mining law to require claim holders to pay the federal government an annual holding fee that can be graduated over time. In establishing such a fee, a balance must be struck between an amount high enough to discourage those not intent on developing their claims from retaining existing claims and filing new ones, and an amount low enough not to discourage legitimate miners.
Status: Action in process. Two bills have been introduced; S. 433, the "Mining Law Reform Act of 1991," which provides for a holding fee as recommended, and H.R. 918, the "Mineral Exploration and Development Act of 1991," which provides for a holding fee as an alternative to development expenditures. The 1993 Interior appropriations bill, as passed by the House and Senate, also provides for a $100 holding fee.

Open Recommendations to Agencies

Recommendation: To reduce the number of unauthorized activities on hardrock mining claims on federal land, the Secretaries of the Interior and Agriculture should direct the Director, BLM, and the Chief, Forest Service, respectively, to revise their surface management regulations to clearly state that residency and nonmining commercial activities are normally not authorized on hardrock mining claims, thereby shifting the burden of proof to the claim holder to show that an activity is incidental to mining.
Addressee: Department of the Interior
Status: Action in process. Estimated completion date: 06/93. Interior is revising its regulations along the lines GAO recommended. In September 1992, Interior issued a proposed rule (43 C.F.R. 3715) that addresses the GAO recommendation. The final rule is anticipated in early 1993.
Addressee: Department of Agriculture
Status: Action in process. The Department of Agriculture (USDA) is revising its regulations and including them in an overall revision to 36 C.F.R. 228 Subpart A. No target date for issuance has been established. The Forest Service, as an alternative to the regulations, is developing a new chapter for the Manual System to achieve the same purposes. A draft has been prepared, but there is no established date for final issuance.

Recommendation: To reduce the number of unauthorized activities on hardrock mining claims on federal land, the Secretaries of the Interior and Agriculture should direct the Director, BLM, and the Chief, Forest Service, respectively, to jointly review the process for invalidating claims to determine whether changes, such as eliminating BLM review and approval of the Forest Service's mineral examinations, can make the process more efficient.
Status: Action in process. The Forest Service and BLM have begun a joint study of the process for invalidating claims. Little progress or agreement has been achieved, but the process continues with no clear target date for completion. The Service is considering allowing BLM to do all mineral evaluations and not

doing any itself. The Service plans to make its decision within several months.

Recommendation: If any such revisions require legislative changes, the Secretaries of the Interior and Agriculture should direct the Director, BLM, and the Chief, Forest Service, respectively, to submit the appropriate language to Congress for its consideration.
Addressee: Department of the Interior
Status: Action in process. The need for action depends on the results of the BLM/Forest Service study.
Addressee: Department of Agriculture
Status: Action in process. The need for action depends on the results of the BLM/Forest Service study.

Federal Lands: Improvements Needed in Managing Concessioners

RCED-91-163, 06/11/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the: (1) laws and policies governing recreation concession operations on federal lands; (2) total number and types of concession agreements; (3) total return to the government from concession operations; and (4) federal recreation resources management practices of the National Park Service, Bureau of Land Management, U.S. Fish and Wildlife Service, Bureau of Reclamation, Forest Service, and Army Corps of Engineers.

Findings

GAO found that: (1) no single law authorizing concession operations existed; (2) none of the agencies maintained a complete data base identifying the number and types of concession agreements; (3) the agencies could not determine total compensation to the federal government for the use of federal recreational resources, due to incomplete financial data and unreported nonfee considerations; (4) the agencies identified 11 different laws governing concession agreements and operations, many of which were agency-specific and allowed for broad discretion in establishing policies; (5) complete financial data were available for only 60 percent of over 9,000 concession agreements reported by the agencies; (6) some agencies permitted field offices to accept such nonfee compensation as capital improvements from concessioners, but the offices generally did not report such agreements to headquarters; (7) from those concessioners who reported complete financial data in 1989, the federal government received about $35 million in concession fees, with gross concession revenues of about $1.4 million, representing an average return to the government of about 2 percent; and (8) various fee approaches by the six agencies resulted in concessioners paying different fees to operate similar activities.

Open Recommendations to Agencies

Recommendation: The Secretaries of the Interior, Agriculture, and Defense should require the heads of the six agencies with the greatest amounts of recreation lands to develop and maintain centralized concessioner data that include: (1) the type of the agreement; (2) the length of the agreement; (3) its expiration date; (4) the services provided; (5) gross receipts; (6) fees paid to the government; and (7) the value of nonfee compensation. Once the agencies collect this information, they should develop and present to Congress a policy to achieve greater consistency in the management of concession operations.
Addressee: Department of the Interior
Status: Action in process. The agency is participating in a Concessions Task Force which also includes the Departments of Agriculture and Defense. Development of a common set of data-reporting elements and procedures and a central data network was recommended in the task force's draft report. Finalization of the draft report is not expected until after January 1993.
Addressee: Department of Agriculture
Status: Action in process. The agency is participating in a Concessions Task Force which also includes the Departments of the Interior and Defense. Maintaining centralized concessioner data was one of the recommendations in the task force's draft report. Finalization of the draft report is not expected until after January 1993.
Addressee: Department of Defense
Status: Action in process. The agency is participating in a Concessioner Task

Force which also includes the Departments of the Interior and Agriculture. Maintaining centralized concessioner data was one of the recommendations in the task force's draft report. Finalization of the draft report is not expected until after January 1993.

Federal Timber Sales: Process for Appraising Timber Offered for Sale Needs to Be Improved

RCED-90-135, 05/02/90 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Forest Service's and Bureau of Land Management's (BLM) process for appraising timber offered for sale.

Findings

GAO found that: (1) BLM and the Forest Service used the transaction evidence appraisal method to advertise timber sales because the method better estimated the timber's fair market value; (2) two of the Forest Service's main timber-producing regions used the residual value method because of limited staff resources and outdated data; (3) Forest Service regions received limited guidance and oversight from headquarters in implementing the appraisal method; (4) regions reduced their appraisal estimates to stimulate competition and compensate for any price inaccuracies; and (5) the Forest Service did not have adequate internal controls over the timber appraisal process. GAO also found that: (1) neither appraisal method ensured a minimum selling price that would adequately protect the government's interest and enhance revenues; and (2) BLM and the Forest Service advertised their fiscal year 1988 timber sales for less than the costs of preparing and administering the sales.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to consider all timber sales costs in establishing advertised prices for timber sales.
Status: Action in process. The Forest Service has drafted a below-cost policy which addresses the recommendation to consider all timber sale costs in establishing advertised prices for timber sales. However, the administration has delayed issuing this policy because of its potential economic impact.

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to adopt the formal decisionmaking process described in this report as an integral part of its forthcoming guidelines and procedures regarding timber sales which do not recover costs.
Status: Action in process. The Forest Service has drafted a below-cost policy which addresses the recommendation that it adopt the formal decisionmaking process described in the report as an integral part of its forthcoming guidelines and procedures regarding timber sales that do not recover costs. However, the administration has delayed issuing this policy because of its potential economic impact.

Forest Service Needs to Improve Efforts to Protect the Government's Financial Interests and Reduce Below-Cost Timber Sales

T-RCED-91-42, 04/24/91 GAO Contact: James Duffus, III, (202)275-7756

Background

GAO discussed the Forest Service's efforts to: (1) collect on defaulted timber sales contracts and reduce further defaults; and (2) reduce the number of below-cost timber sales. GAO noted that: (1) the Service collected about $35 million of the $302 million in damages that it assessed from defaulted contracts and was taking steps to improve its collection processes; (2) the Service's key contracting measures were similar to other timber sellers' measures, although the Service and one federal timber seller returned or credited downpayments or deposits before contractors substantially completed the contracts; (3) such practices lessened the Service's security in terms of access to funds in the event of a default; (4) in fiscal year 1990, the Service incurred timber sale preparation and administration expenses of $35.6 million that it could not recover as a result of below-cost timber sales; and (5) preparation and administrative costs varied greatly by forest. GAO also noted that the Service issued a draft policy aimed at reducing losses caused by below-cost timber sales, but the policy left gaps in a comprehensive approach, since the Service: (1) would not subject many below-cost sales to review; (2) did not consider costs when setting minimum prices for advertised timber sales; and (3) did not evaluate on a timely basis whether the benefits of a below-cost sale justified the unrecoverable cost.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to retain the downpayment until the contract is substantially complete.
Status: Action in process. The Forest Service will develop and publish for comment a proposed rule as soon as possible that would retain the downpayment until the contract is substantially complete and eliminate the transfer or refund of the downpayment.

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to expand the below-cost sales policy beyond forests as a whole, as presently proposed, to individual sales.
Status: Action in process. The Forest Service has drafted a below-cost policy which addresses the recommendation to consider individual timber sales. However, the administration has delayed issuing this policy because of its potential economic impact.

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to define the minimum rate for timber sale bids as the cost of timber sale preparation and administration, and ensure that the sale price recovers those costs.
Status: Action in process. The Forest Service has informed GAO that it plans to implement the recommendation regarding the establishment of a new minimum bid policy. However, it is attempting to reduce the costs of preparing and administering timber sales prior to implementing a new minimum bid policy.

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to amend the timber sale process to include a below-cost determination at the first decision point in the sale preparation process, so that, if the sale is not conducted, unnecessary preparation costs can be avoided. If a below-cost sale proceeds, the reasons should be documented.
Status: Action in process. The Forest Service has drafted a below-cost policy which addresses the recommendation to make a determination early in the timber sales process. However, the administration has delayed issuing this policy because of its potential economic impact.

Forest Service Timber Sales Program: Questionable Need for Contract Term Extensions and Status of Efforts to Reduce Costs

T-RCED-92-58, 04/28/92 GAO Contact: James Duffus, III, (202)275-7756

Background

GAO discussed the Forest Service timber sales program, focusing on: (1) a regulation allowing for timber sales contract extensions in the event of drastic price reductions for wood products; and (2) the Service's efforts to reduce the program's costs. GAO noted that: (1) the Service did not adequately evaluate the costs and benefits of allowing contract extensions; (2) the regulation is inconsistent with other federal agencies' and states' regulations on timber sales contract extensions; (3) in implementing the regulation, the Service used a formula that included data that were not adjusted to account for seasonal price fluctuations; (4) the Service allowed contracts that already reflected falling prices to be eligible for extension; and (5) the Service established two task forces to review timber sales program costs and make recommendations to reduce program costs.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Chief, Forest Service, to reexamine the need for this regulation. The reexamination should evaluate the costs and benefits to the government of granting the current extensions. The evaluation should also consider the availability of the contract provision providing for automatic timber price reductions in the event of sharp drops in wood product prices.

Status: Action in process. Agriculture is in the process of drafting a proposed policy rule.

Recommendation: If the Forest Service, in its reexamination, finds that the regulation is justified, the Secretary of Agriculture should direct the Chief, Forest Service, to: (1) stop using the Bureau of Labor Statistics' unadjusted indexes in reaching determinations that wood product prices have drastically declined; and (2) make eligible only those contracts that do not already reflect falling prices.

Status: Action not yet initiated. If Agriculture finds that the regulation is justified it will publish a proposed rule along the lines GAO suggested.

Great Lakes Fishery Commission: Actions Needed to Support an Expanded Program

NSIAD-92-108, 03/09/92 GAO Contact: Joseph E. Kelley, (202)275-4128

Background

Pursuant to a congressional request, GAO reviewed the Great Lakes Fishery Commission's sea lamprey control programs, focusing on the Commission's: (1) consideration of the potential harmful effects of its sea lamprey control actions; (2) progress in adopting nonchemical sea lamprey control methods; and (3) use of increased funding for research for alternative control methods.

Findings

GAO found that the Commission: (1) endorses an ecosystem management approach that considers the potential impact of its control methods and seeks input from fishery experts regarding its activities; (2) has set a goal of reducing its use of lampricides to 50 percent of 1991 levels by 2000; (3) for fiscal year (FY) 1992, requested a $1.9-million increase over its FY 1991 budget, but some Canadian fishery officials believe that the Commission has not adequately justified its request for lampricide.

stream treatments; (4) is developing a formal protocol for gathering and analyzing data on sea lamprey populations to address such concerns; (5) has allocated few resources to developing alternative control methods, citing limited research funding levels, lack of time, and the success of its chemical control program; (6) has employed barrier dams and the release of sterilized male sea lamprey as alternative control methods; (7) included in its FY 1992 budget request $1.5 million for those two alternative control techniques and $2.5 million for alternative control research, but neither the U.S. nor Canadian governments fully met the budget request; (8) has not developed a detailed strategic plan for its alternative control research; (9) uses informal monitoring procedures to manage its small research program, but those would be inadequate for a larger research program; and (10) has not begun to plan for the tests and studies necessary to reregister the lampricides, and has made only limited attempts to locate additional suppliers and ensure the long-term availability of the chemicals.

Open Recommendations to Agencies

Recommendation: The Secretary of State, working in conjunction with appropriate officials from the government of Canada, should ensure that the Great Lakes Fishery Commission develops a comprehensive strategy for its alternative control research that describes, to the extent practicable, the projected research cost, the amount of research already available, the practicality, possible environmental consequences, and general research completion time frames for each proposed sea lamprey control method or area of research.
Status: Action in process. Estimated completion date: 06/93. State is providing comments on the strategy of alternative control research to the Commission.

Recommendation: The Secretary of State, working in conjunction with appropriate officials from the government of Canada, should ensure that the Great Lakes Fishery Commission improves monitoring of research activities by appointing a full-time research administrative officer to establish a system to track project milestones and report dates and develop oversight procedures for an expanded research program.
Status: Action in process. Estimated completion date: 06/93. The Commission has hired a research administrative officer to monitor research activities However, the officer is currently working on reregistering lampricide chemicals, not research monitoring

Recommendation: The Secretary of State, working in conjunction with appropriate officials from the government of Canada, should ensure that the Great Lakes Fishery Commission develops a plan and system for reregistering the lampricide chemicals that includes an estimated budget by year.
Status: Action in process. Estimated completion date: 06/93. State is working with the Commission and the Department of the Interior to develop the lampricide chemical reregistration plan.

Indian Issues: Compensation Claims Analyses Overstate Economic Losses

RCED-91-77, 05/21/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the economic analyses supporting the Garrison Unit Joint Tribal Advisory Committee's (JTAC) recommendation that Indian tribes at the Fort Berthold Reservation and Standing Rock Reservation receive additional financial compensation for land the federal government acquired in 1949 and 1958 for a water resources project, focusing on: (1) the adequacy of the analyses conducted by tribal consultants; and (2) alternative methods of establishing a basis for financial compensation.

Findings

GAO found that: (1) the consultants overestimated the tribes' economic losses, since they made overly optimistic assumptions about the tribes' economic condition prior to the loss of their land; (2) neither consultant reduced the estimate of additional compensation by the total amount that Congress previously appropriated for the acquired lands; and (3) an alternative approach for considering additional compensation would be to consider the difference

between the amount of compensation the tribes believed was warranted at the time the land was taken and the compensation appropriated by Congress.

Open Recommendations to Congress

Recommendation: If Congress decides that additional compensation for the tribes is warranted, Congress should not rely on the JTAC recommendation for additional financial compensation.
Status: Action in process. The Senate Select Committee on Indian Affairs has introduced a compensation bill and held hearings, including GAO testimony, on the proposed bill. The Committee revised the original bill and, on November 29, 1991, referred the bill (S. 168, the Three Affiliated Tribes and Standing Rock Sioux Tribe Act) to the full Senate for their consideration. The Senate has not yet considered the bill.

Indian Programs: BIA and Indian Tribes Are Taking Action to Address Dam Safety Concerns

RCED-92-50, 02/11/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed dam safety on Indian reservations, focusing on: (1) the Bureau of Indian Affairs' (BIA) progress in implementing the Department of the Interior's Safety of Dams (SOD) Program; and (2) whether BIA is making efforts to resolve problems limiting program progress.

Findings

GAO found that: (1) BIA has failed to fulfill its SOD program responsibilities to address or identify potential dam safety deficiencies in a timely manner due to limited staff resources, time spent encouraging tribes to enter into dam management contracts, the lack of an adequate management information system, a temporary diversion in priorities, and limited oversight of field office activities; (2) in response to the Interior Inspector General's 1989 report, Congress authorized funding for additional staff for dam safety activities and instructed Interior not to direct BIA program funds to fire suppression activities; (3) to enhance overall SOD program management, Interior plans to establish recordkeeping and information-reporting requirements to obtain needed program status information from area offices; (4) as of July 1991, BIA has contracted or negotiated contracts with tribes to manage SOD program activities at 55 of the 67 BIA priority dams and corrective actions were underway at 44 of the 53 dams that the Bureau of Reclamation had inspected for safety; and (5) Interior cited inadequate BIA progress in fulfilling SOD program objectives as the reason it proposed to transfer BIA program funding and SOD program responsibilities to Reclamation in its fiscal year 1991 and 1992 budget requests. GAO believes that, considering its proposal to transfer program responsibilities, Interior should examine how the transfer will: (1) impact federal Indian self-determination policies; and (2) improve Interior's ability to fulfill SOD program objectives.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to develop and put in place a recordkeeping and reporting system for the SOD Program that will provide the information needed to effectively manage program activities and measure progress in completing the corrective action process according to established requirements and priorities.
Status: Action in process. The process of developing a formal management information system has been started. A framework for an interim system has been developed and is being used.

Indian Programs: Lack of Internal Control at Two Special Law Enforcement Units

RCED-91-111, 05/15/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed two Bureau of Indian Affairs (BIA) law enforcement operations, focusing on their management of: (1) a confidential fund BIA used to pay informants; (2) overtime pay; (3) travel advances; and (4) sensitive equipment.

Findings

GAO found that BIA: (1) did not comply with federal requirements regarding controls over appropriated funds and did not follow numerous management procedures; (2) improperly transferred funds to private bank accounts and did not return unobligated funds to the Department of the Treasury at the end of each fiscal year, as required; (3) did not adequately account for and control fund disbursements; (4) did not comply with federal regulations requiring periodic reviews of administratively uncontrollable overtime (AUO) it paid to units and employees; (5) issued excessive travel advances to unit investigators and did not adjust or liquidate the advances, as regulations required; and (6) did not properly control sensitive equipment, such as weapons and surveillance equipment.

Open Recommendations to Agencies

Recommendation: To comply with legal requirements and to ensure appropriate control over, and use of, confidential funds, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to determine the unobligated balance of all confidential funds at the end of fiscal years 1986 through 1990, including interest earned, and return that balance to the Treasury.
Status: Action in process. The Interior Inspector General's Office investigative findings have been turned over to the U.S. Attorney but additional investigation/interviews continue. However, BIA is determining the end of year balances for the accounts and will be returning funds to the Treasury.

Recommendation: To ensure proper authorization of quarterly travel for investigators and appropriate travel advances, the Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to take immediate action to recover the outstanding travel advance from the Special Investigative Unit investigator who resigned from BIA employment.
Status: Action in process. Although the employee agreed to repay the debt through a deduction from retirement funds in June 1991, no funds have been recovered. BIA requested a $6,000 recovery of debt due to the United States in April 1992 but the request contained erroneous information and could not be processed by the Office of Personnel Management.

Mineral Resources: Federal Helium Purity Should Be Maintained

RCED-92-44, 11/08/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO examined various proposals on how the Department of the Interior's Bureau of Mines could best meet federal needs for helium, focusing on how the accelerated degradation of stored federal helium could result in additional costs to the government.

Findings

GAO found that: (1) because the Bureau is not restricting the rate at which helium is being extracted from Cliffside, a natural gas field in Amarillo, Texas,

the purity of the remaining helium cloud is being degraded faster than would otherwise occur; (2) Bureau engineers and a petroleum engineering consulting firm agreed that accelerated degradation could be avoided by restricting total extractions from Cliffside to 3 million cubic feet of helium daily; (3) the Bureau can restrict the rate at which privately owned helium can be extracted from Cliffside, under the terms of its storage contracts with private companies, but has not imposed such a restriction, pending a review of a fiscal year (FY) 1989 Bureau study; (4) daily total extractions from Cliffside exceeded 3 million cubic feet 13 percent of the time during a 2-year period from April 1989 to April 1991; and (5) if the helium cloud continues to be degraded at the current rate, the Bureau will incur additional costs of as much as $23.3 million in FY 1991 dollars to extract and refine federal helium from Cliffside through FY 2050.

Open Recommendations to Agencies

Recommendation: So that the helium cloud at the Cliffside field can be maintained at the highest level of purity possible, thereby avoiding additional Bureau costs to extract and refine federal helium, the Secretary of the Interior should require the Director of the Bureau of Mines to complete his review of the Bureau's 1989 study and any related documentation, including that which private industry can provide, and, if warranted, specify an acceptable extraction rate. If an extraction rate is specified, the Bureau should either: (1) restrict private company extractions of helium from Cliffside so that they do not cause total daily extractions to exceed this rate; or (2) impose a charge on the private companies that store helium in Cliffside each time their extractions, combined with Bureau extractions, exceed the established acceptable rate. **Status:** Action in process. Interior's Bureau of Mines has agreed to either assess appropriate charges or restrict access to storage depending on consultations with private companies storing helium at Cliffside. A meeting with the companies was held in April 1992 and the companies prefer a charge to a restriction.

Mineral Resources: Interior's Use of Oil and Gas Development Contracts

RCED-91-1, 09/17/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO evaluated the use of development contracts by the Bureau of Land Management, acting on behalf of the Secretary of the Interior, in its onshore federal oil and gas leasing program, focusing on whether the contracts: (1) entered into or approved since 1986 satisfy the legal requirements for development contracts; and (2) have had adverse effects on small oil and gas producers.

Findings

GAO found that: (1) the 10 contracts entered into or approved by Interior since 1986 do not satisfy the legal requirements for development contracts because those contracts are for oil and gas exploration on largely unleased federal lands, rather than for developing existing leases; (2) rather than being between lessees and lease operators, 9 of the 10 contracts are between Interior and lease operators, and in all 10 contracts the sole parties, other than the Interior, are the operators; (3) by designating the 10 contracts as development contracts, Interior has enabled the contract parties to accumulate lease acreage that exceeds the statutory acreage limitation, resulting in increased concentration of control over federal oil and gas resources and preventing other parties who wish to obtain federal oil and gas leases and participate in developing these resources from doing so; and (4) although Interior believes that the 10 contracts are in the public interest, since they promote exploration for and development of federal oil and gas resources that otherwise might not have been accomplished, using development contracts in this manner equates to rescinding the statutory acreage limitation for the 9 major and large independent oil companies that have exceeded acreage limitations in the states where they have contracts.

Open Recommendations to Congress

Recommendation: Congress should amend the mineral leasing acts to expressly permit or prohibit Interior to enter into or approve development

contracts for exploration for oil and gas on largely unleased federal lands or to increase or remove the acreage limitation.

Status: Action not yet initiated.

Mineral Revenues: Progress Has Been Slow in Verifying Offshore Oil and Gas Production

RCED-90-193, 08/31/90 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's actions to: (1) verify the accuracy of reported offshore oil and gas production; and (2) annually inspect certain offshore lease sites.

Findings

GAO found that: (1) Interior lacked a fully operational program for verifying that sites accurately reported all oil and gas production for royalty determination purposes, but the Minerals Management Service (MMS) recently initiated two programs aimed at verifying such reports; (2) as of July 1990, the MMS automated oil verification program included all facility measurement points (FMP) in the Gulf of Mexico region, but none in the Pacific region due to computer problems, while MMS conducted the gas verification program exclusively in the Gulf region; (3) although MMS has not fully implemented either program, the first 6 months' results indicated that generally sites accurately reported the produced oil volume and preliminary gas production results noted only minor volume discrepancies; (4) although the Federal Oil and Gas Royalty and Management Act (FOGRMA) required Interior to annually inspect each lease site that produced or was expected to produce significant quantities of oil or gas or had a history of noncompliance, MMS was not meeting the FOGRMA inspection mandate; (5) during 1989, the MMS Gulf region inspected almost all oil FMP, but inspected less than one-third of the gas meters; (6) in the Pacific region, MMS conducted production measurement and site security inspections at all 10 oil FMP and 8 of 9 gas FMP; and (7) MMS Gulf regional officials said that they inspected gas meters only if they were co-located with oil meters, and they were not necessarily those with the greatest production or those that had a history of noncompliance.

Open Recommendations to Agencies

Recommendation: Because of the need to ensure that the volume of oil and gas produced from federal leases is accurately reported for purposes of determining royalties, the Secretary of the Interior should direct the Director, MMS, to complete the gas verification pilot program and move quickly to implement an ongoing production verification program. At a minimum, MMS should verify gas volumes for all high-producing leases and leases with a history of noncompliance, as well as randomly verify production from a sample of the remaining leases.

Status: Action in process. Estimated completion date: 03/93. MMS completed the gas verification pilot program. MMS formed a task force to design a functional and operable gas verification system. The target date for an operational system is early 1993.

National Park Service: Policies and Practices for Determining Concessioners' Building Use Fees

T-RCED-92-66, 05/21/92 GAO Contact: James Duffus, III, (202)275-7756

Background

GAO discussed the fees that National Park Service (NPS) concessioners pay for using federally owned facilities. GAO noted that: (1) NPS does not maintain data on concession agreements that include the use of federally owned facilities; (2) in 1990, there were about 150 agreements involving concessioners' use of about 1,400 federally owned facilities; (3) those concessioners' gross revenues ranged from $6,300 to $83 million, and fees paid totalled about $1.2 million; (4) NPS receives some nonfee compensation from concessioners, but the value of that compensation is unknown; (5) NPS does not have specific building use fee policies, except for its requirement that fees be determined in accordance with acceptable industry practices; (6) NPS field officials generally did not obtain independent appraisals of the fair value return of concessions; (7) NPS does not have adequate guidance on the use of set-aside accounts, which represent funds that concessioners set aside to maintain the federally owned facilities they use; and (8) NPS could not determine whether it was receiving a fair return for concessioners' use of federally owned facilities.

Open Recommendations to Agencies

Recommendation: With regard to building use fees, the Secretary of the Interior should direct the Director, NPS, to develop complete and centralized data on: (1) the number of concession agreements that involve the use of federally owned facilities; (2) the number of facilities used by concessioners; (3) the building use fee paid by the concessioner; and (4) the value of nonfee compensation from either set-aside accounts or contractual agreements.
Status: Action in process. Estimated completion date: 09/93. NPS currently has a data base of all concession agreements, including those in which federally owned facilities are being used. This data base does not include commercial use license agreements. The Concession Division will modify the existing data base so that specific information can be retrieved on agreements in which federally owned facilities are being used, as well as on the individual facilities.

Recommendation: The Secretary of the Interior should direct the Director, NPS, to develop specific policies, methodologies, and guidelines on how to: (1) best determine building use fees; and (2) establish, administer, and track set-aside accounts, as well as other contractual agreements for repairs, maintenance, and improvements to federally owned facilities used by concessioners.
Status: Action in process. Estimated completion date: 09/93. The Concession Division will develop, in coordination with the Accounting Operations Division, a tracking system to determine the amount of fees actually paid. This data base does not include information on those businesses that are operating under commercial use licenses. Additionally, information from the field on the existence of all set-aside accounts has been requested.

Public Land Management: Attention to Wildlife Is Limited

RCED-91-64, 03/07/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed federal wildlife management on public lands, focusing on: (1) whether the Forest Service and the Bureau of Land Management (BLM) appropriately considered wildlife interests during federal land use planning processes; and (2) the impact of federal management practices on wildlife conditions.

Findings

GAO found that: (1) no legislation existed that specified an appropriate level of consideration of wildlife interests in federal land management; (2) wildlife protection and enhancement activities received between 3 percent and 7 percent of available BLM and Service staffing and funding; (3) while BLM and the Service uniformly considered wildlife needs during land use planning, when conflicts occurred, the agencies frequently favored consumptive interests over wildlife needs; (4) BLM and the Service did not always implement actions to benefit wildlife that were included in land use plans; (5) data were not available to judge the overall effect of BLM and Service policies and practices on wildlife conditions; (6) the agencies' land use priorities, budgets, and staffing met grazing, logging, and mining objectives first and provided for wildlife interests as circumstances permitted; and (7) BLM and the Service initiated efforts to provide more balanced consideration of wildlife needs in their management activities.

Open Recommendations to Congress

Recommendation: If Congress believes that wildlife are not receiving adequate consideration by the agencies as they balance public lands uses, it should spell out more explicit expectations in law, such as requiring both agencies to maintain viable populations of species on their lands.
Status: Action in process.

Recommendation: If Congress believes that wildlife are not receiving adequate consideration by the agencies as they balance public lands uses, it should specify that the agencies' appropriations should provide a greater share of funding for wildlife.
Status: Action in process.

Recommendation: If Congress believes that wildlife are not receiving adequate consideration by the agencies as they balance public lands uses, it should provide specific guidance and funding to the agencies for gathering wildlife and habitat inventory and monitoring information to provide the baseline data and status and trend information needed to determine the status of wildlife on public lands and the effect of the agencies' management, and require the agencies to periodically report the results of the monitoring to the Congress.
Status: Action in process.

Recommendation: If Congress believes that wildlife are not receiving adequate consideration by the agencies as they balance public land uses, it should revise the Oregon and California Lands Act to require multiple-use and sustained-yield management for various resources, including wildlife, on subject lands.
Status: Action in process.

Congressional Action: Legislation is being considered.

Rangeland Management: BLM Efforts to Prevent Unauthorized Livestock Grazing Need Strengthening

RCED-91-17, 12/07/90 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO examined the Bureau of Land Management's (BLM) efforts to detect and deter unauthorized livestock grazing on public rangelands.

Findings

GAO found that BLM: (1) did not know the full extent of grazing trespass on its allotments, although such violations occurred frequently; (2) identified staffing shortfalls as a major obstacle in conducting a more effective trespass detection program; (3) had no systematic approach for detecting grazing trespass; (4) processed most trespass incidents informally and without penalties; (5) failed to assess required penalties in the most serious trespass cases; (6) did not have an adequate management information system to provide top management with comprehensive data about the effectiveness of trespass enforcement by field offices; and (7) failed to adequately document trespass case files.

Open Recommendations to Agencies

Recommendation: To improve the effectiveness of BLM grazing trespass detection and deterrence efforts, the Secretary of the Interior should direct the Director, BLM, to either: (1) ensure that penalties are assessed for all nonwillful trespass violations as

provided for in BLM regulations; or (2) amend BLM regulations to establish a procedure for the informal resolution of nonwillful trespass violations at the local level.
Status: Action in process. The Director, BLM, developed recommendations for modifying regulations for more reasonable and cost-effective resolution of nonwillful trespass. These are included in modifications to the BLM 4150 Unauthorized Use Handbook and Instruction Memo (IM) 91-324. GAO has requested copies of the updated handbook for review.

Recommendation: To improve the effectiveness of BLM grazing trespass detection and deterrence efforts, the Secretary of the Interior should direct the Director, BLM, to require that all trespass incidents including those now handled informally be documented and made part of the permanent trespass file.
Status: Action in process. BLM changed the 4150 Unauthorized Use Handbook for handling all trespass, willful and nonwillful, also covered in IM 91-324. BLM will send GAO the IM and Handbook changes for review.

Recommendation: To improve the effectiveness of BLM grazing trespass detection and deterrence efforts, the Secretary of the Interior should direct the Director, BLM, to ensure that field staff impose the penalties required under BLM regulations for willful and repeated willful grazing trespass.
Status: Action in process. BLM changed the 4150 Unauthorized Use Handbook and issued IM 91-324. GAO has requested copies of the updated handbook for review.

Recommendation: To improve the effectiveness of BLM grazing trespass detection and deterrence efforts, the Secretary of the Interior should direct the Director, BLM, to develop a management information system to provide timely, reliable, and adequate information on such things as: (1) the number of compliance visits conducted; (2) the number and level of violations identified; and (3) how each violation is resolved, including those resolved informally.
Status: Action in process. Estimated completion date: 06/93. The Denver Service Center has been asked to evaluate opportunities to modify the current automated system, Grazing Authorization Billing System (GABS). Until an automated system can be implemented, BLM managers are required to keep manual files. GABS modifications are outlined in IM 91-324. Interior is reviewing the feasibility of implementing changes by June 1993.

Rangeland Management: BLM's Hot Desert Grazing Program Merits Reconsideration

RCED-92-12, 11/26/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO examined the Bureau of Land Management's (BLM) management of the federal livestock grazing program in the Southwest desert areas, known as hot deserts, focusing on the program's environmental and budgetary costs and benefits.

Findings

GAO found that: (1) current livestock grazing activity on BLM allotments in hot desert areas imposes the risk of long-term environmental damage to the hot deserts and does not generate sufficient revenues to provide for adequate management; (2) there was evidence of grazing damage occurring on BLM lands, as well as evidence of livestock grazing's adverse impact on several endangered wildlife species; (3) some damaged lands may take decades to recover if they recover at all; (4) the current level of BLM spending is insufficient to perform all necessary range management tasks; (5) although the 1,000 operators who hold livestock grazing permits generate little net income from ranching public lands, they highly value the ability to maintain a traditional ranching lifestyle; (6) BLM lacks the staff resources and data to know if damage is occurring on many hot desert allotments and is not in a position to change an operator's authorized grazing level should a change be warranted; and (7) the cattle and sheep inventories in hot desert regions account for no more than 1.6 percent and 3 percent, respectively, of the national inventory.

Open Recommendations to Congress

Recommendation: Congress may wish to consider providing more funds for BLM to monitor livestock grazing in the hot deserts, recognizing that increased monitoring will lead to better livestock grazing decisions on more allotments. The resulting higher overall monitoring costs could be offset, at least in part, through an increase in grazing fees, which would provide greater revenues to the Treasury from this activity.
Status: Action in process.

Recommendation: Congress may wish to consider eliminating operators' prefereoces, thereby giving BLM the opportunity to adjust authorized grazing activity on hot desert allotments on the basis of the amouot of forage actually available each season. While staff and budget requirements may not change, the risk to the eovironment should decrease as BLM seasonally adjusts the level of grazing.
Status: Action not yet initiated.

Recommendation: Congress may wish to consider discontinuing livestock grazing in hot desert areas. This option would free the resources that BLM now speods to manage livestock grazing in hot deserts for use in other areas of the country where the environmental risks are lower and productivity is higher. Some range resources would still be necessary in the hot deserts to protect against livestock trespass and to perform other duties.
Status: Actioo not yet initiated.

Congressional Action: During the 102nd Congress, the House passed a bill to increase grazing fees and the Senate tabled a bill to increase grazing fees. A grazing fee increase, however, was not included in the fiscal year 1993 appropriations bill.

Rangeland Management: Improvements Needed in Federal Wild Horse Program

RCED-90-110, 08/20/90 GAO Contact: James Duffus, III, (202)275-7756

Background

GAO reviewed the Bureau of Land Management's (BLM) efforts to: (1) manage wild horses on public rangeland in 10 western states; and (2) remove and dispose of excess wild horses under an adoption program.

Findings

GAO found that: (1) due to insufficieot information, it could not determine how many horses ranges could support, the extent of degradation they caused, and the number of horses that should be removed from herd areas; (2) despite congressional direction, BLM did not base its removal of wild horses from federal rangeland on how many horses ranges could support; (3) BLM often did not accompany horse removals with a reduction in livestock grazing levels or effective range management, resulting in inhumane range conditions and exploitation; (4) the number of wild horses BLM removed exceeded its adoption program's capacity; (5) BLM terminated the program in September 1988 after oegative publicity and congressional pressure, but did not rescind the regulations authorizing such adoptions; (6) many horses remained at prison facilities much longer than the 30 to 60 days needed to halter train them, resulting in increased program costs; and (7) BLM took steps to tighten management of the halter training program, but did not establish standards for the training time or the number and quality of trained horses the prison facility should produce. GAO believes that: (1) BLM will not be able to meet its objective of limiting wild horse sanctuaries' financial support to their first 3 years of operation; and (2) BLM will either have to commit to a long-term financial commitment to the sanctuaries or be prepared to have the horses returned to its custody.

Open Recommendations to Agencies

Recommendation: To place the BLM wild horse removal process in the context of a more rational strategy of range improvement, the Secretary of the Interior should direct the Director, BLM, to expeditiously develop carrying capacity and range condition data in wild horse herd areas.
Status: Actioo in process. BLM has almost completed revisions to the Wild Free-Roaming Horse and Burro Management Considerations Manual (sec. 4710) and is continuing development of its monitoring program. At present funding and staffing levels, it is unlikely it will develop range

condition data on most wild horse areas for several years.

Recommendation: To place the BLM wild horse removal process in the context of a more rational strategy of range improvement, the Secretary of the Interior should direct the Director, BLM, to, in locations where those data indicate that grazing-related damage is occurring, incorporate the requirement for intensive livestock management techniques in permit conditions to reduce the impact of this grazing on the range's resources. Where necessary and appropriate, BLM should also remove wild horses and reduce authorized domestic livestock grazing levels on the basis of the relative numbers of each species on the range.
Status: Action in process. BLM is implementing a comprehensive management plan throughout the state of Nevada, which takes into account forage availability and range condition. The process is more than 30 percent complete and will take 3 to 4 years to complete.

Recommendation: To place the BLM wild horse removal process in the context of a more rational strategy of range improvement, the Secretary of the Interior should direct the Director, BLM, to, after initial population adjustments are made, conduct continued monitoring to maintain wild horse and domestic livestock population levels consistent with what the land can support.
Status: Action in process. BLM has almost completed revisions to the Wild Free-Roaming Horse and Burro Management Considerations Manual and the Grazing Administration Manual. Implementation of an expanded monitoring effort will depend on funding and staffing availability.

Recommendation: To reduce the costs associated with the disposal of wild horses removed from public rangeland, the Secretary of the Interior should direct the Director, BLM, to establish an average length of time required to halter train a wild horse and an age range for horses best suited to be halter trained, and limit payment to the states to only those horses that meet both those criteria.
Status: Action in process. The revised BLM manual on wild horse training establishes a 45-day halter training period as well as a 5- to 9-year-old age range for horses best suited to be trained. The manual was revised on September 10, 1991. New training agreements were established with four states and GAO is waiting to receive copies in order to review the payment plan.

Recommendation: To reduce the costs associated with the disposal of wild horses removed from public rangeland, the Secretary of the Interior should direct the Director, BLM, to consider a variety of disposal options for unadoptable horses not currently being used and, where necessary, make recommendations for congressional consideration.
Status: Action in process. The Wild Horse and Burro Advisory Board issued a report on unadoptable wild horses in January 1992. BLM has adopted many of the Board's recommendations and is in the process of developing a strategic plan for implementation. A meeting is scheduled for late 1992, after which GAO will receive a copy of the plan.

Rangeland Management: Interior's Monitoring Has Fallen Short of Agency Requirements

RCED-92-51, 02/24/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO examined the Bureau of Land Management's (BLM) performance in: (1) monitoring the impact of grazing on range conditions; and (2) taking action to change grazing conditions when needed.

Findings

GAO found that (1) BLM has only collected monitoring data for half of the 14,000 allotments that it should have completed within the last 5 years; (2) although BLM focused its limited monitoring attention on high priority allotments, it did not complete required monitoring within the required 5-year time frame for more than 300 allotments; (3) for 14 percent of the allotments BLM collected long-term trend data, but not the more specific short-term data needed to identify specific corrective actions; (4) BLM has not used its monitoring data to change grazing levels or practices; (5) BLM range managers attribute their inability

to perform required monitoring and utilize data to staff shortages and the need to perform higher priority range management tasks; and (6) BLM grazing management decisions have lacked adequate documentation to support them.

Open Recommendations to Congress

Recommendation: A better balance between the scope of the federal grazing program and the resources available to manage it is needed if BLM is to meet all of its rangeland management responsibilities. To achieve this objective, Congress may wish to consider: (1) reducing the scope of the existing grazing program, thereby reducing BLM range management responsibilities; or (2) funding an increase in BLM range management resources. One option for offsetting the additional annual appropriations that would be necessary to increase BLM range management resources is to increase federal grazing fees.

Status: Action in process. During the 102nd Congress, the House has passed a bill to increase grazing fees and the Senate tabled a bill to increase grazing fees. A grazing fee increase, however, was not included in the fiscal year 1993 appropriations bill.

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed

RCED-91-175, 08/22/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO: (1) identified environmental and water use problems associated with the irrigation practices carried out under the Bureau of Reclamation's water service contracts in the Central Valley Project (CVP); and (2) determined whether contract renewals would allow such problems to continue.

Findings

GAO found that: (1) agricultural drainage has degraded the quality of the San Joaquin Valley's water supply and soil, poisoning wildlife and threatening agricultural productivity with selenium accumulation and increasing salinity; (2) since most CVP water is dedicated to irrigation through water service contracts, the supply of water available for wildlife habitat is not adequate; (3) some farmers use CVP water to produce crops that are also eligible for subsidies under the U.S. Department of Agriculture's (USDA) commodity programs, causing Congress to express concern over the apparent inconsistency between the Bureau's programs for increasing agricultural production through inexpensive subsidized water and USDA programs for raising prices while limiting production; (4) increased irrigation efficiency and conservation could reduce environmental degradation caused by agricultural runoff and drainage, while freeing water currently diverted for irrigation and other uses, but the low cost of federal irrigation water is a disincentive to increased irrigation efficiency; (5) the Department of the Interior believes that, since long-term renewal of contracts for the same quantities of water is nondiscretionary, it is not required to change its provisions as a result of environmental impact statements; and (6) continuing irrigation practices carried out under existing contract provisions compromise other national interests such as environmental protection and wildlife conservation.

Open Recommendations to Congress

Recommendation: To provide the Department of the Interior with greater flexibility to manage Bureau of Reclamation water in CVP in the most effective and efficient manner, Congress should: (1) place a moratorium on all CVP contract renewals, while temporarily extending existing contracts; and (2) amend the 1956 act to explicitly allow contract renewals for lesser quantities of water and shorter periods of time so the Bureau can periodically assess water use.

Status: Action in process. The 1992 omnibus water bill that was sent to the Prsident for signature in late 1992 generally included our recommendations.

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should determine the effects of

renewing CVP water service contracts for the same quantities of water for long terms. This impact analysis should include: (1) an analysis of whether the water supply could be more effectively used to reduce environmental degradation and meet wildlife habitat needs and other emerging water needs in the state; and (2) a demonstration of the extent to which problems associated with water service contracts can be mitigated by changes in the contract terms, including consideration of market mechanisms to promote more efficient water use and conservation.
Status: Action in process. Interior currently has environmental impact analyses underway for current contract renewals and the Bureau of Reclamation is developing a strategy and schedule for completing environmental review for remaining contracts.

Recommendation: The Secretary of the Interior should incorporate into renewed contracts changes in contract terms identified as likely to mitigate problems associated with water service contracts.
Status: Action in process. Interior concurs with the recommendation but has not yet completed analyses. Interior states, however, that provisions covering the right to long-term renewal and quantity of water are not subject to change except as required by applicable law.

Reclamation Law: Changes to Excess Land Sales Will Generate Millions in Federal Revenues

RCED-90-100, 02/01/90 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Bureau of Reclamation's management of the sale of excess land under recordable contracts that allowed landowners to irrigate their excess lands from federal water projects at subsidized rates.

Findings

GAO found that: (1) excess land buyers could obtain significant profits under current reclamation law, because they could buy the land at dry-land value and sell it at fair market value after 10 years; (2) federal water resources projects increased fair market values because of the availability of irrigation water; (3) the fair market value of the remaining 90,000 of the 121,000 acres of excess lands under recordable contracts that had pending sales actions would result in profits of as much as $206 million; and (4) the federal government could receive about $100 million of those profits if amendments to the current reclamation law required Bureau approval of the land's fair market value.

Open Recommendations to Congress

Recommendation: In order for the federal government to obtain the financial benefits from its construction of water resources projects, Congress should amend the Reclamation Reform Act of 1982 to require that excess land under recordable contract and excess land not under recordable contract but purchased to obtain federal project water be sold at a Bureau-approved fair market value, with the seller of the land receiving an amount equal to the dry-land value, plus improvements, and the U.S. Treasury receiving the balance. Specifically, Congress should amend Section 209(f)(2) of the Act by substituting "October 12, 1982 but before the enactment of the Reclamation Reform Act Amendments of 1990" for "the date of enactment of this Act."
Status: Action not yet initiated.

Recommendation: In order for the federal government to obtain the financial benefits from its construction of water resources projects, Congress should amend the Reclamation Reform Act of 1982 to require that excess land under recordable contract and excess land not under recordable contract but purchased to obtain federal project water be sold at a Bureau-approved fair market value, with the seller of the land receiving an amount equal to the dry-land value, plus improvements, and the U.S. Treasury receiving the balance. Specifically, Congress should amend Section 209(f) further by adding the following after (2): "(3) in the case of disposals of excess lands, including such land not under recordable contracts, made on or after the enactment of the Reclamation Reform Act Amendments of 1990, the disposal of excess lands to non-excess owners shall be for the fair market value of the land, which shall be paid to the excess owners except for fair market value related to the delivery of irrigation water, which shall be

deposited in the Treasury of the United States as miscellaneous receipts. Upon such disposal, the title to these lands shall be freed of the burden of any limitations on subsequent sale values which might otherwise be imposed by the operation of section 46 of the act entitled 'An Act to adjust water rights charges, to grant certain relief on the federal irrigation projects, and for other purposes,' approved May 25, 1926 (43 U.S.C. 423e)."

Status: Action not yet initiated.

Congressional Action: Legislation will be introduced incorporating the recommended language in the report. However, no date has been set for introducing the amendment.

Recreation Facilities: Weaknesses in the Corps' Procedures Highlighted by Arcadia Lake Dispute

RCED-90-185, 09/28/90 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Army Corps of Engineers' design and construction of recreation facilities at the Arcadia Lake Project in Edmond, Oklahoma, focusing on the: (1) events that led to litigation between the Corps and its cost-share partner, the city of Edmond; and (2) Corps' new procedures for cost-share projects.

Findings

GAO found that: (1) Edmond refused to pay the Corps its 50-percent share for facility construction when project costs increased to 2.5 times the estimated cost; (2) the Department of Justice sued Edmond to force the city to pay its share of costs; (3) the underlying issues in the dispute were Edmond's approval of changes in project design and cost increases, the Corps' involvement of Edmond in project design and development, and the Corps' overestimation of visitors to the project; (4) the Corps' new procedures did not address the cost-share partner's approval of design and cost changes or involvement in project design and development, but did improve the visitation estimate process; and (5) Edmond's design and construction concerns about the recreation facilities were still unresolved.

Open Recommendations to Agencies

Recommendation: To reduce the likelihood of future disputes about a cost-share partner's approval of changes in project design and cost, the Secretary of the Army should require the Chief, Corps of Engineers, to revise the Corps' procedures so that the Corps must obtain written notification from the cost-share partner's governing body that identifies those people having authority to legally obligate the partner.

Status: Action in process. The Department of Defense stated that the Corps' cost-sharing procedures will eliminate the potential for disputes similar to that at Arcadia Lake, and the Corps should be vigilant in ensuring participation by appropriate nonfederal officials in water resources project decisions. In April 1992, the Secretary of the Army convened a study group to determine if any changes could be made.

Trans-Alaska Pipeline: Regulators Have Not Ensured That Government Requirements Are Being Met

RCED-91-89, 07/19/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO examined the adequacy of regulatory oversight of the Trans-Alaska Pipeline System (TAPS), focusing on TAPS: (1) operational safety; (2) oil spill response capabilities; and (3) ability to protect the environment.

Findings

GAO found that: (1) several federal and state agencies had TAPS monitoring, oversight, and enforcement responsibilities; (2) regulators essentially accepted the pipeline operation contractor's reports regarding TAPS conditions and did not independently evaluate corrosion prevention and detection systems; (3) although aware of deficiencies in the corrosion prevention and detection systems, regulators did not direct the contractor to take action until after the contractor detected significant pipeline corrosion in 1989; (4) regulators conducted little oversight of terminal operations; (5) regulatory review of the oil-spill response plan was cursory until after the Exxon Valdez oil spill, after which federal and state regulators reevaluated oil-spill risks and response capabilities; (6) regulators do not plan to require the contractor to conduct a drill to fully test its response capabilities; (7) there was no long-term monitoring program to assess TAPS overall environmental impact, making it difficult to assess oil-spill impacts or to identify the most appropriate containment, cleanup, and disposal technologies; (8) regulators did not have adequate systems to carry out their oversight responsibilities, did not dedicate sufficient staff for monitoring pipeline activities, and did not coordinate oversight activities to ensure comprehensive monitoring of all pipeline activities; and (9) several regulators assigned staff to a joint oversight office composed of federal and state agencies with statutory authority over TAPS.

Open Recommendations to Congress

Recommendation: To help ensure that sufficient funds are available to support improved oversight, Congress may wish to consider requiring Alyeska to fully reimburse the joint office for all reasonable oversight costs as it is now required to do for the Bureau of Land Management.
Status: Action not yet initiated.

Open Recommendations to Agencies

Recommendation: To ensure that TAPS is standing up to the special engineering design and operating requirements intended to lessen the potential for oil spills, the Secretaries of the Interior and Transportation should, in cooperation with the state of Alaska, reassess the adequacy of Alyeska's corrosion prevention and detection efforts, including: (1) the cathodic protection system intended to protect the pipeline from corrosion; and (2) plans to better detect and correct internal and external corrosion along the pipeline and at the Valdez terminal.
Addressee: Department of the Interior
Status: Action in process. The joint office has funded an assessment of Alyeska's corrosion and cathodic protection programs. The office expects Alyeska to respond to a draft report and expects to finalize the report at that time.
Addressee: Department of Transportation
Status: Action in process. The joint office has funded an assessment of Alyeska's corrosion and cathodic protection programs. The office expects Alyeska to respond to a draft report and expects to finalize the report at that time.

Recommendation: To ensure that TAPS is standing up to the special engineering design and operating requirements intended to lessen the potential for oil spills, the Secretaries of the Interior and Transportation should, in cooperation with the state of Alaska, require Alyeska to test its leak detection system at various levels of pipeline operations to determine what levels of leakage will trigger an alarm and decide if those leak detection threshold levels meet approved design levels.
Addressee: Department of the Interior
Status: Action in process. The leak detection system was tested in December 1991. Regulators witnessed the testing, which was only at one level. They have decided that further testing is warranted at various levels and expect to test the system again.
Addressee: Department of Transportation
Status: Action in process. The leak detection system was tested in December 1991. Regulators witnessed the testing, which was only at one level. They have

decided that further testing is warranted at various levels and expect to test the system again.

Recommendation: The Secretary of the Interior, in cooperation with the state of Alaska, should improve monitoring and evaluation of Alyeska's efforts to assess and mitigate geologic hazards along the pipeline and at the terminal, including those intended to: (1) stabilize the rock slopes at the terminal and along mountainous sections of the pipeline; (2) safeguard permafrost; and (3) guard against potential damage to the pipeline as the result of river erosion.
Status: Action in process. The joint office is in the process of reviewing earthquake and fault monitoring plans as well as glacier monitoring.

Recommendation: The Administrator, Environmental Protection Agency (EPA), should revise its regulations to ensure oversight of the integrity of crude oil storage tanks.
Status: Action in process. EPA is revising its regulations to ensure the oversight of the integrity of crude oil storage tanks.

Recommendation: To ensure that the environmental impacts of TAPS are known and that contamination from future oil spills is minimized, the Secretary of the Interior should, in cooperation with the state of Alaska and Alyeska, establish realistic cleanup standards on the basis of acceptable levels of contamination.
Status: Action taken not fully responsive. The joint office indicated that each site requiring cleanup will be evaluated on a case-by-case basis.

Recommendation: To ensure that the environmental impacts of TAPS are known and that contamination from future oil spills is minimized, the Secretary of the Interior should, in cooperation with the state of Alaska and Alyeska, determine the advantages of various technologies to effectively contain, clean up, and dispose of oil spilled on water and on land, especially in arctic and subarctic conditions.
Status: Action in process. The joint office, in conjunction with Alyeska, is evaluating various cleanup technologies.

Recommendation: The Secretaries of the Interior and Transportation and the Administrator, EPA, should, in coordination with the state of Alaska, ensure that the new joint office provides systematic, disciplined, and coordinated oversight of TAPS. At a minimum, this requires: (1) central leadership; (2) adequate funding; (3) firm commitments to participate from the primary regulators of TAPS; and (4) clear and enforceable requirements, adequate numbers of well-trained staff, and coordination among the responsible federal and state agencies.
Addressee: Department of the Interior
Status: Action taken not fully responsive. The joint office has obtained firm commitments from four of five regulators (not EPA). It is developing an overall TAPS monitoring plan. However, there still is no central leadership or secured funding.
Addressee: Department of Transportation
Status: Action taken not fully responsive. The joint office has obtained firm commitments from four of five regulators (not EPA). It is developing an overall TAPS monitoring plan. However, there still is no central leadership or secured funding.
Addressee: Environmental Protection Agency
Status: Action taken not fully responsive. EPA is more effectively coordinating with other regulators, but has not committed to full-time participation in the joint office. Central leadership and adequate funding are also still needed.

Water Resources: Bonneville's Irrigation and Drainage System Is Not Economically Justified

RCED-91-73, 01/31/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO prepared a: (1) benefit-cost analysis of the Irrigation and Drainage (I&D) system of the Central Utah Project Bonneville Unit; and (2) financial impacts analysis measuring the federal cost of not completing the I&D system.

Findings

GAO found that: (1) the federal government spent or was contractually obligated for a total of about $320 million for the I&D system; (2) proposed

legislation providing for the completion of the system, with some changes, would cost an additional $178 million in federal funds; (3) completion of the I&D system was not economically justified, since the U.S. economy would realize a benefit of only 28 cents for every dollar of project costs; and (4) the financial impacts on the federal government of not completing the I&D system ranged from savings of $133 million, if Congress decided to reallocate sunk costs, to an additional cost of $54 million if Congress decided to forgive the repayment of sunk costs.

Open Recommendations to Congress

Recommendation: In its deliberation on whether to complete the system, Congress will be considering other factors such as the I&D system's contribution to regional economic development. As part of its decision, Congress should consider the benefit-cost analysis and the financial implications of not completing the system.

Status: Action in process. On June 20, 1991, the House authorized $150 million for the construction of the I&D system as part of an omnibus water bill. In April 1992, the Senate also authorized $150 million for the construction of the I&D system as part of its water bill. Differences between the House and Senate bills will be addressed in conference.

Water Resources: Corps Lacks Authority for Water Supply Contracts

RCED-91-151, 08/20/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a legislative requirement, GAO examined whether the Army Corps of Engineers has the legislative authority to operate nine water reservoirs for the purposes for which they are being managed.

Findings

GAO found that: (1) with one exception, the Corps has the authority to operate the nine reservoirs for the purposes for which they are being managed; (2) in that exception, the Corps improperly cited the Weter Supply Act of 1958 in reallocating storage capacity to municipal and industrial (M&I) water supply and entering into six long-term contracts to supply water to M&I users without expanding those reservoirs; (3) the authority under the Water Supply Act to supply water for M&I needs is limited to what may be accomplished through the construction or expansion of reservoirs, and the act does not provide authority to reallocate existing water storage capacity for M&I purposes at reservoirs previously constructed or modified; and (4) the Corps used the act to enter into 38 water supply contracts and was planning to enter into similar contracts in the future.

Open Recommendations to Congress

Recommendation: Congress should remove any supposed lack of clerity by amending the Water Supply Act to expressly prohibit the reallocation of existing water storage capacity under the act unless accompanied by the construction or expansion of reservoir storage capacity. Alternatively, if Congress wants to allow the Corps to reallocate existing storage capacity, Congress should: (1) amend the Water Supply Act to provide the Corps with this authority; or (2) add M&I water supply as a project purpose or approve specific M&I water supply contracts on a case-by-case basis at individual reservoirs.

Status: Action not yet initiated. The Department of Defense disagreed with the report's findings and recommendations. Congress has not acted on the recommendation.

Water Resources: Corps' Management of Ongoing Drought in the Missouri River Basin

RCED-92-4, 01/27/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Army Corps of Engineers' management of the Missouri River reservoir system under drought conditions between 1988 and 1990, focusing on: (1) whether the Corps followed a drought contingency plan; and (2) how the Corps set plan operating priorities.

Findings

GAO found that: (1) between 1988 and 1990, the Corps followed a drought contingency plan when releasing water from the reservoir system; (2) the plan reduced winter release rates, shortened navigation seasons on the Missouri River, reduced navigation channel water levels, and reduced the amount of water usually released under normal operating conditions by 17 percent; (3) the drought and the Corps' response to it adversely impacted all of the reservoirs' purposes except flood control; (4) the Corps' drought contingency plan did not reflect the Missouri River Basin's current economic condition, because the Corps based the plan on outdated, invalid assumptions regarding the amount of water needed for navigation and irrigation; (5) the Corps is reviewing its operation of the Missouri River reservoir system and updating the Missouri River Division's Master Manual; (6) the Corps believes that it must continue to give recreation a lower operating priority than other authorized purposes, even if this low priority results in decreased system benefits, unless it obtains congressional approval to change existing operating priorities; and (7) three states filed a federal lawsuit questioning whether the Corps' drought contingency plan conserved the reservoir's water and equitably distributed the negative impacts of the drought among all reservoir water users, particularly between the upper basin's recreation industries and the lower basin's navigation industry.

Open Recommendations to Congress

Recommendation: To ensure that the Corps maximizes the economic and other benefits of all authorized purposes of the Missouri River reservoir system and other Corps water projects, Congress should consider enacting legislation to require the Corps to establish operating priorities for its reservoir projects on the basis of the economic, environmental, social, and other benefits to be derived from all authorized project purposes. **Status:** Action not yet initiated.

Water Resources: Corps of Engineers' Drought Management of Savannah River Projects

RCED-89-169, 06/12/89 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Army Corps of Engineers' management of the Hartwell, Russell, and Thurmond reservoirs in Georgia and South Carolina, focusing on the: (1) Corps' management of the reservoirs during the 1988 drought; (2) drought's effect on the reservoirs' ability to serve users; and (3) Corps' efforts to develop a drought contingency plan for the reservoirs.

Findings

GAO found that: (1) the Corps reduced releases from Lake Thurmond beginning in November 1987 and has maintained a constant release rate of 3,600 cubic feet per second since April 1988; (2) the levels of Lakes Thurmond and Hartwell were significantly affected by the drought; (3) the Corps gave water supply and quality maintenance the highest priority during the drought; (4) drought conditions severely curtailed recreational and

hydropower uses of the reservoirs; and (5) the Corps was unable to generate sufficient hydropower to satisfy the Southeastern Power Administration's contractual obligations. GAO also found that the Corps: (1) had not completed its drought management plan when the current drought began; (2) did not complete the plan until more than 8 years after a regulation required it and more than 3 years after the Corps' initial target date for plan completion; (3) could have better maintained lake levels had it completed the plan in a timely manner; (4) has not completed drought contingency plans for over two-thirds of its water resource projects nationwide; and (5) failed to consider downstream inflows or worst-case scenarios in its drought management plan for the Savannah River Basin.

Open Recommendations to Agencies

Recommendation: So that the Corps is prepared nationwide to better manage ongoing and future drought situations, the Assistant Secretary of the Army (Civil Works) should direct the Chief Engineer to ensure that each district has drought contingency plans for all controlled reservoir storage projects, and that the plans are based on a thorough analysis of user needs, adjust release rate calculations to account for downstream inflows, and include worst-case situation plans.
Status: Action in process. The Corps' Headquarters Office of Hydraulics and Hydrology staff reported on September 11, 1992, that of the 334 Drought Contingency Plans that need to be completed under Corps Regulation ER 1110-2-1941, dated September 15, 1981, 262 have been completed. The remaining 72 are about 90 percent complete and will be completed by late 1992.

Water Resources: Future Needs for Confining Contaminated Sediment in the Great Lakes Region

RCED-92-89, 07/17/92 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed: (1) the status of the confined disposal facilities (CDF) currently being used in the Great Lakes to store contaminated dredged sediments; (2) the long-term need for CDF in the region; and (3) difficulties in locating sites for future CDF.

Findings

GAO found that: (1) most federally funded CDF will be filled to capacity by 2006, and funding for new, replacement, and expanded CDF is undergoing a policy and legal review; (2) pollution control efforts in the Great Lake region need improvement, since past efforts have not eliminated or cleaned up sediment contamination; (3) future sediment testing guidelines will be stricter and will increase the need for CDF; (4) economically feasible alternatives to CDF are limited and costly; (5) delays in finding acceptable sites for CDF have delayed dredging and navigation in some Great Lakes harbors and channels; (6) the Army Corps of Engineers' disagreement with state water quality standards has deferred and reduced dredging in the Great Lakes; and (7) increased CDF costs and site maintenance may be a long-term responsibility of local sponsors.

Open Recommendations to Agencies

Recommendation: To provide Congress and local sponsors with information that would be useful in deliberations on the problem of future dredging and disposal of contaminated material in the Great Lakes, once the revised sediment testing guidelines and criteria are issued, the Chief, Army Corps of Engineers, should estimate the needed CDF capacity. The estimates should include: (1) detailed projections of the volume of contaminated material to be generated by future Great Lakes dredging projects; and (2) the capacity, locations, and cost of new or replacement CDF that will be needed in the Great Lakes for the forseeable future.
Status: Action not yet initiated.

Water Subsidies: Basic Changes Needed to Avoid Abuse of the 960-Acre Limit

RCED-90-6, 10/12/89 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Bureau of Reclamation's implementation of the Reclamation Reform Act of 1982, which set a 960-acre limit on farm land eligible to receive federally subsidized water for irrigation purposes.

Findings

GAO found that, although the act's legislative history clearly showed congressional intent to provide federally subsidized water to a maximum of 960 acres of owned or leased land being operated collectively as one farm, the act: (1) did not actually address leased acreage; (2) used the term landholding instead of the terms farm or farming operation; and (3) did not address whether farmers could operate multiple landholdings as one farm while separately qualifying landholdings for federally subsidized water. GAO also found that: (1) in response to the act, some farmers reorganized their farms into multiple, smaller landholdings that were individually eligible to receive federally subsidized water, although they continued to operate the landholdings collectively as a farm; (2) farmers reorganized their landholdings through partnerships, corporations, and trusts; (3) such landholding reorganizations reduced the federal government's 1987 revenues by $1.3 million; and (4) although Congress amended the act in 1987 to require the Department of the Interior to audit individual or legal entities whose landholdings or farming operations exceeded 960 acres, farmers' reorganizations of their landholdings complied with the regulations.

Open Recommendations to Congress

Recommendation: If federally subsidized water to a given farm, farming operation, or landholding is to be limited to no more than 960 acres of leased or owned land, Congress should amend the Reclamation Reform Act of 1982 to apply the act's acreage limits to farms and farming operations as well as to individual landholdings. Specifically, Congress should amend section: (1) 202 to add a definition of farm or farm operations as follows: "The term 'farm' or 'farm operation' means any landholding or group of landholdings farmed or operated as a unit by an individual, group, entity, trust, or any other combination or arrangement. The existence of a farm or farm operation will be presumed, subject to contrary evidence, when ownership, operation, management, financing, or other factors, individually or together, indicate that one or more landholdings are farmed or operated as a unit"; (2) 203 to include a farm or farm operation in the 960-acre limit now applicable only to a landholding; (3) 205 to include a farm or farm operation in the pricing provisions now applicable only to a landholding; (4) 214 so that the ownership and pricing limitations of reclamation law will apply to a farm or farm operation operated by or for a trustee for one or more beneficiaries; and (5) 228 to require reporting by a farm or farm operation. **Status:** Action in process. On June 20, 1991, the House voted to limit federally subsidized water to a given farm, farm operation, or landholding to no more than 960 acres of leased or owned land. The legislative language mirrored that in the GAO report but included factors exempt from being used to determine the existence of a farm operation. A different bill, intended to accomplish the same objective, was introduced in the Senate, and hearings were held in September 1991 to obtain views on various legislative proposals. In 1992, the Senate approved its own water bill that does not include any language to limit federally subsidized water to more than 960 acres of owned or leased land. These limits were not included in the 1992 omnibus water bill that was sent to the President for signature in late 1992.

Water Subsidies: Views on Proposed Reclamation Reform Legislation

T-RCED-91-90, 09/12/91 GAO Contact: James Duffus, III, (202)275-7756

Background

GAO discussed four legislative proposals to amend the Reclamation Reform Act of 1982, which permits multiple landholdings to continue to be operated collectively as one large farm while individually qualifying for federally subsidized water. GAO noted that: (1) if the farm operations in the five case studies remain constant, each of the proposals could limit federally subsidized water to some or all of the operations; (2) three of the five large farm operations in the case studies could continue to receive subsidized water on land in excess of the 960-acre limit, under the House bill; (3) under the Senate bill, four of the five large farm operations would be able to continue to receive subsidized water on more than 960 acres; (4) three of the large farm operations could continue to receive subsidized water on land in excess of the 960-acre limit under the Bureau of Reclamation's draft bill; and (5) the Subcommittee on Water, Power, and Offshore Energy Resources' draft bill could stop the flow of federally subsidized water to more than 960 acres in all five of the case studies. GAO believes that since farmers have ample financial incentive to reorganize their operations in response to any new reclamation legislation enacts, some farmers are likely to reorganize again to be eligible to receive additional federally subsidized water.

Open Recommendations to Congress

Recommendation: Any amending legislation enacted by Congress should be as clear as possible in limiting the acreage on which a farm or farm operation is eligible to receive federally subsidized water.
Status: Action not yet initiated.

Recommendation: The amending legislation should include a clear statement of purpose to provide the Bureau guidance in implementing the new law. Such a statement might say that the purpose of the legislation is to stop the flow of federally subsidized water to owned or leased land over a maximum of 960 acres, or whatever limit may be established, and that multiple landholdings being operated collectively as one large farm cannot, in any event, receive subsidized water on more than the established acreage limit.
Status: Action not yet initiated.

Recommendation: Any factors or indicators explicitly excluded from consideration in determining the existence of a farm or farm operation should be clearly defined. Further, if certain factors are to be excluded from consideration in determining the existence of a farm or farm operation, the exclusion should only apply to consideration of the factors individually and not to their consideration in conjunction with other factors.
Status: Action not yet initiated.

Congressional Action: In April 1992, the Senate approved an omnibus water bill that does not include any reclamation reform language limiting federally subsidized water to no more than 960 acres of owned or leased land. The Senate began conference meetings with House members regarding differences between the House and Senate water bills in September 1992, but does not plan to add language addressing reclamation reform.

Wetlands Preservation: Easements Are Protecting Prairie Potholes but Some Improvements Are Possible

RCED-92-27, 11/07/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO provided information on the enforcement of protection easements under the Fish and Wildlife Service's (FWS) Small Wetlands Acquisition Program (SWAP), which serves to preserve wetlands and increase waterfowl production.

Findings

GAO found that: (1) in the four FWS wetland management districts reviewed, FWS is providing reasonable assurance that violators will be detected by keeping accurate and current documentation on the wetlands to be protected, keeping landowners and tenants on lands with wetlands easements informed of the terms of the easements, and performing annual aerial surveillance of the wetlands under easement followed by on-the-ground inspections of suspected violations; (2) FWS officials in two of the districts reviewed estimated that significantly less than 1 percent of the total acreage under easement is damaged each year; (3) although some damaged wetlands may never again sustain the many varieties of life forms that existed before the damage occurred, almost all damaged wetlands are restored to be productive habitat for ducks, usually through voluntary compliance by the landowners or tenants; (4) despite its success, SWAP alone cannot stem the decline in migratory waterfowl and wetlands; (5) drought, predation, farming practices, and illegal harvesting contribute to the continuing decrease in North America's duck population, and wetlands continue to be lost to agriculture, development, and other uses; and (6) SWAP weaknesses included some FWS district offices' failure to routinely document waterfowl's use of wetlands, timely restore damaged wetlands, and issue notices and assess fines to easement violators.

Open Recommendations to Agencies

Recommendation: To improve the effectiveness of SWAP, the Secretary of the Interior should direct the Director, FWS, to establish procedures to ensure that wetland management district offices responsible for the program document the extent to which waterfowl are using wetlands.

Status: Action in process. FWS has begun to use a waterfowl production survey that will, when completed, cover the entire Prairie Pothole region of the United States. This is an alternative action that will respond to the recommendation.

Recommendation: To improve the effectiveness of SWAP, the Secretary of the Interior should direct the Director, FWS, to issue agencywide timeliness standards for: (1) performing on-the-ground inspections of suspected violations; (2) contacting landowners or tenants once violations have been confirmed; (3) completing restoration, and (4) following up to ensure that restoration is satisfactory. Exceptions to those standards should be documented and approved by the head of the responsible wetland management district office.

Status: Action in process. Specific guidance regarding easement monitoring and enforcement efforts will be included in annual Work Activity Guidance by late 1992, under the signature of the Director, FWS.

Recommendation: To improve the effectiveness of SWAP, the Secretary of the Interior should direct the Director, FWS, to issue guidance that specifies the circumstances under which easement violators should be issued violation notices and assessed fines.

Status: Action in process. Supplemental guidance emphasizing the importance of consistent and timely application of easement management guidelines will be issued by the Director, FWS, by late 1992.

Wetlands: The Corps of Engineers' Administration of the Section 404 Program

RCED-88-110, 07/28/88 GAO Contact: James Duffus, III, (202)275-7756

Background

In response to a congressional request, GAO reviewed the Army Corps of Engineers' administration of section 404 of the Clean Water Act to determine the extent to which the Corps: (1) coordinated with federal resource agencies during the permit process; (2) identified violations of permit conditions; and (3) imposed sanctions against those who failed to obtain required permits or violated permit conditions.

Findings

GAO found that: (1) although the Section 404 Program protected some wetlands, it did not regulate many activities, such as normal farming and wetlands draining, which caused most of the wetlands losses; (2) resource agencies believed that the Corps could protect more wetlands if it delineated wetland boundaries more broadly and gave greater consideration to practicable alternatives to placing dredged and fill materials in wetlands; (3) neither the Corps nor the resource agencies maintained comprehensive information on the program's impact on wetlands; (4) although the Corps considered resource agency recommendations in issuing permits, in many cases its district offices did not require applicants to address recommendations and did not provide feedback to the agencies; (5) resource agencies rarely appealed cases when they disagreed with district offices because they believed that the appeal process was cumbersome and ineffective; (6) neither the Corps nor the Environmental Protection Agency (EPA) had systematic surveillance programs to detect unauthorized activities on wetlands; (7) the districts did not investigate many suspected unauthorized activities for months and did not monitor issued permits for compliance with permit conditions; (8) the Corps rarely pursued civil or criminal remedies against violators and did not often suspend or revoke permits; and (9) EPA rarely used its authority, even though most violations involved failure to obtain permits.

Open Recommendations to Congress

Recommendation: Congress may wish to establish clearer criteria regarding the: (1) scope of wetlands delineation under the program; (2) extent to which alternatives to filling wetlands must be considered; and (3) extent and circumstances under which cumulative impacts of permit decisions must be considered.

Status: Action in process. Several legislative proposals to amend the Section 404 Clean Water Act regulatory permit program are before Congress. The issue of wetlands protection continues to be extremely complex.

Open Recommendations to Agencies

Recommendation: In order to provide Congress and others with information on the effects of the Section 404 Program for restoring and maintaining integrity of the nation's waters and to provide for more consistent management of the program, the Secretary of the Army should direct the Chief, Corps of Engineers, to develop a data reporting mechanism that will enable the Corps to provide baseline information on the extent to which the granting of Section 404 permits is protecting or resulting in the filling of wetlands and otherwise restoring and maintaining the integrity of the nation's waters.

Status: Action in process. The Corps of Engineers reconsidered its position and now has advised its district offices that baseline information on the program's impact will be required as part of the agency's quarterly reporting system.

Recommendation: In order to provide Congress and others with information on the effects of the Section 404 Program for restoring and maintaining the integrity of the nation's waters and to provide for more consistent management of the program, the Secretary of the Army should direct the Chief, Corps of Engineers, to work with the resource agencies to develop consistent definitions and procedures for implementing basic program requirements, such as considering practicable alternatives, assessing cumulative impacts, and making wetland delineations.

Status: Action in process. Although it was thought that the issue of wetlands delineations was settled at one time, the White House Domestic Policy Council has revisited the issue and, at the present time, the manner in which wetlands should be delineated is embroiled in controversy. The issues of practicable alternatives and cumulative

impacts are being addressed by the Corps of Engineers and EPA.

Recommendation: In order to provide for a more effective public interest review in which environmental and developmental concerns receive full consideration, as required by law, the Secretary of the Army should direct the Chief, Corps of Engineers, to develop, with the participation of the resource agencies, a mutually acceptable and simplified process under which district engineer permitting decisions can be appealed.

Status: Action in process. The appeals process under the program has been revised between the Corps and two agencies—EPA and the Department of Commerce. The Corps and the Department of the Interior are still negotiating an agreement regarding the appeals process.

Wilderness Preservation: Problems in Some National Forests Should Be Addressed

RCED-89-202, 09/26/89 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Forest Service's management of its National Wilderness Preservation System lands, focusing on: (1) the extent of resource deterioration in wilderness areas; and (2) Service staffing and funding devoted to wilderness management.

Findings

GAO found that the Service: (1) managed about 32.5 million acres of National Wilderness Preservation System lands, including 354 wilderness areas; (2) decentralized wilderness area management to the individual forest and district office levels, with oversight by regional offices and headquarters; (3) did not require wilderness managers to maintain comprehensive information on wilderness area conditions, although managers indicated that there was a considerable amount of unmet trail maintenance and reconstruction needs and campsite deterioration; (4) did not periodically inventory conditions in many wilderness areas and could not determine whether conditions were improving or worsening; (5) had unnecessarily large or highly visible administrative and recreational facilities and structures in several wilderness areas, which did not comply with its policy to maintain low visibility; (6) did not maintain information about funding and staffing it devoted to management of individual wilderness areas; and (7) believes that staffing and funding have been inadequate to achieve its objectives, resulting in its not performing monitoring, data-gathering, trail maintenance, campsite cleanup, and public education tasks it believes necessary to protect the wilderness areas.

Open Recommendations to Agencies

Recommendation: To improve administration of the National Wilderness Preservation System, the Secretary of Agriculture should direct the Chief, Forest Service, to consider the applicability of the limits of acceptable change method or other methods to assess changes in wilderness conditions.
Status: Action in process. Forty additional trainers who can assist or train local units in applying the limits of acceptable change concept were certified, and revisions to the Forest Service Manual will include an entire section on limits of acceptable change. Proposed revisions encountered coordination problems with the update of the Manual's entire wilderness management section, but completion is due late in 1992.

Recommendation: To improve administration of the National Wilderness Preservation System and provide Congress with current and accurate budget information, the Secretary of Agriculture should direct the Chief, Forest Service, in conjunction with the development of baseline inventory information on the condition of individual wilderness areas, to compile information on the total funding and staffing needed to manage wilderness areas in a manner that will meet the objectives of the Wilderness Act.
Status: Action in process. Estimated completion date: 10/93. Forest Service field units will be pressed to complete Wilderness Implementation Schedules that will address such issues. This is a long-term process for some units.

Wildlife Management: Problems Being Experienced With Current Monitoring Approach

RCED-91-123, 07/22/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed the Forest Service's management indicator species approach to monitoring wildlife and their habitat in national forests, focusing on the cost-effectiveness and ultimate usefulness of this approach.

Findings

GAO found that: (1) although the management indicator approach is based on sound theory, several practical drawbacks exist that raise questions about whether data collected on selected species can provide the basis for drawing conclusions on overall habitat conditions; (2) the costs of monitoring indicator species populations were prohibitive, since the costs of monitoring increased as the population of the species being monitored decreased or as the size of the habitat increased; (3) even when planned data collection efforts were completed using the management indicator species approach to monitoring, the data had limited usefulness because they revealed population changes without conclusively relating observed changes to overall habitat conditions or Service management actions; (4) although Service headquarters officials acknowledge that problems exist in field implementation of the management indicator species approach, they believe that these difficulties stem more from the application of the management indicator species principle than from fundamental weaknesses with the concept itself; and (5) Service headquarters is currently revising its national direction on wildlife and wildlife habitat monitoring.

Open Recommendations to Agencies

Recommendation: The Secretary of Agriculture should direct the Chief of the Forest Service to fully consider the concerns GAO identified about the utility of the management indicator species approach to wildlife monitoring as the agency considers modification and clarification of the approach. During the ongoing agency examination of the Forest Service's monitoring approach, the needs and experiences of field staff responsible for implementing it should be solicited and reflected in any rules and guidance that are ultimately issued.
Status: Action in process. The Department of Agriculture plans to clarify its desired approach to monitoring through issuing a rule on forest planning. This rule has not been issued yet.

Wildlife Protection: Enforcement of Federal Laws Could Be Strengthened

RCED-91-44, 04/26/91 GAO Contact: James Duffus, III, (202)275-7756

Background

Pursuant to a congressional request, GAO reviewed whether: (1) federal statutes and international treaties provided sufficient authority to protect wildlife, particularly migratory waterfowl; and (2) the Department of the Interior's Fish and Wildlife Service (FWS) adequately enforced those statutes and treaties.

Findings

GAO found that: (1) with the exception of the Migratory Bird Treaty Act and the Endangered Species Act, the 11 federal statutes and 5 international treaties provided sufficient enforcement authority for FWS; (2) the lack of warrantless search and seizure authority in the Migratory Bird Treaty Act hampered agents' efforts to investigate suspected violations; (3) the issue of whether hybrid species were protected under the Endangered Species Act of 1973 presented enforcement problems,

since the only alternative to conclusively prove an animal's species was to destroy and examine it; (4) although new and amended legislation substantially increased FWS responsibilities for protecting species, the number of FWS special agents decreased by 9 percent; (5) due to insufficient funds, some special agents were deskbound and unable to perform their basic responsibilities for months at a time; (6) staffing and funding shortfalls resulted in the selective enforcement of wildlife protection legislation; (7) FWS lacked adequate information regarding the extent of suspected crimes it was unable to investigate and the effectiveness of its law enforcement methods; and (8) joint FWS-state investigations of large-scale illegal commercial operations and massive illegal harvesting of waterfowl worked well, but reductions in FWS staffing and operating funds, coupled with its focus on large-scale operations, rendered FWS unable to respond to many state requests for assistance.

Open Recommendations to Congress

Recommendation: Congress may wish to consider amending the Migratory Bird Treaty Act to provide warrantless search and seizure authority. As FWS suggests, Congress may wish to use language similar to that in the Lacey Act Amendments of 1981.
Status: Action not yet initiated. No action has been taken to amend the Migratory Bird Treaty Act. Congress is not seriously considering amending the act at this time.

Open Recommendations to Agencies

Recommendation: To provide current and reliable information on the extent of crimes against wildlife, thus enabling FWS to better justify its funding needs and ensure that FWS law enforcement agents are able to perform their basic responsibilities, the Secretary of the Interior should direct the Director, FWS, to require FWS law enforcement management and agents to record: (1) all instances of suspected violations coming to their attention, including those that may not be investigated; (2) FWS handling of the suspected violations; and (3) the outcome of the investigations.
Status: Action in process. Estimated completion date: 03/93. FWS issued a memorandum on March 17, 1992, requiring its officers to report all known or suspected violations. In their 1992 annual reports, FWS regional law enforcement offices will include statistics on all reported violations, including those not investigated. FWS also redesigned its computer system, which will have the capability to interface with the FBI nationwide criminal reporting system.

Recommendation: FWS should use those records to: (1) periodically assess the extent of the suspected crimes against wildlife; (2) provide realistic estimates of staff and funds needed to adequately address the problem, and (3) include the estimates in annual budget requests.
Status: Action in process. FWS will continue to use statistics from its computer system as part of its budget submission. In addition, FWS regional law enforcement offices will, beginning in 1992, provide an annual report of those actual and suspected violations that are reported, but not investigated.

Recommendation: To provide current and reliable information on joint federal-state efforts to protect wildlife and to better justify the resources needed to continue the reciprocal relationship with the states, the Secretary of the Interior should direct the Director, FWS, to document: (1) all state requests for assistance in investigating suspected violations of wildlife protection laws; (2) FWS responses to the requests; and (3) the outcome of any investigations.
Status: Action in process. Estimated completion date: 03/93. FWS issued guidance on March 17, 1992, requiring its law enforcement officers to collect such information. The redesigned FWS computer system, now scheduled for implementation in spring 1993, will provide the capability to track reported or suspected violations of wildlife crimes, regardless of whether an investigation was conducted.

United States General Accounting Office

GAO

Transition Series

December 1992

Natural Resources Management Issues

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GAO **United States**
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

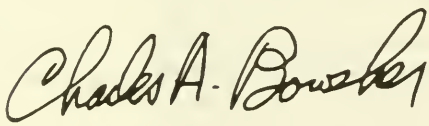
December 1992

The Speaker of the House of Representatives
The Majority Leader of the Senate

In response to your request, this transition series report discusses major policy, management, and program issues facing the Congress and the new administration in natural resources management. These issues include (1) maintaining facilities and lands and staffing programs under increasing budgetary constraints, (2) seeking a better return for the sale or use of natural resources, and (3) establishing national policies for natural resources in the 1990s.

The GAO products upon which this report is based are listed at the end of the report.

We are also sending copies of this report to the President-elect, the Republican leadership of the Congress, the appropriate congressional committees, and the designated heads of the appropriate agencies.



Charles A. Bowsher

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Natural Resources Management Issues

Vital for economic, ecological, and cultural reasons, natural resources on federal lands comprise vast reserves of fuels and other minerals, timber, rangeland, water, habitat for fish and wildlife, recreation areas, areas of scenic beauty, historic and cultural sites, and artifacts. Managing and protecting these resources, as well as managing the vast infrastructure—including buildings, roads, trails, bridges, developed sites, water and sewer systems, dams, and other facilities on federal lands—associated with them, are primarily the responsibility of the Department of the Interior, the Department of Agriculture's Forest Service, and the U.S. Army Corps of Engineers. Together, these agencies hold and are responsible for almost 30 percent of the country's land surface, rights to minerals beneath even more of the country and beneath 1.4 billion acres of ocean floor, and 12,000 miles of commercial navigation channels. For fiscal year 1993, budget authorities for managing natural resources total about $16.6 billion. In fiscal year 1992, these resources generated an estimated $6.9 billion in receipts to the federal government.

In our 1988 transition report, we concluded that the most pressing overall need at that time was for the Department of the Interior

to become a more effective steward by better balancing competing demands on the natural and cultural resources it is legislatively mandated to foster, protect, and preserve. We pointed out that billions of dollars would be needed to stop the continued deterioration of, and prevent possibly irreversible damage to, the nation's natural and cultural resources. Though the Department of the Interior and other responsible agencies have not always agreed with our positions, a number of changes have been made. Budgetary constraints, however, will slow the pace of change and will require difficult trade-offs among important yet competing priorities.

Our 1988 report also concluded that the Department of the Interior had not always fulfilled its fiduciary responsibility of collecting the revenues due the government or taken advantage of opportunities to increase revenues. Since then, various amendments have been proposed and bills introduced to ensure a better return for the sale or use of natural resources on federal lands. With few exceptions, however, these reforms have not been enacted. According to estimates prepared by the Congressional Budget Office, legislation to ensure a better return could generate an additional $4.5

billion in revenues and savings in fiscal years 1993 to 1997.

Finally, a number of key decisions about the management of the nation's natural resources have been left to the 103rd Congress. Resolving the issues involved will go a long way in establishing national policies for natural resources in the 1990s.

Setting Priorities Under Budgetary Constraints

The management of the nation's natural resources is at a crossroads. While the infrastructure on federal lands that is associated with natural resources is expanding yearly, the existing infrastructure and lands, approaching $200 billion in value, are in a growing state of disrepair. At the same time, agency staff are being asked to assume increasing responsibilities and to perform more duties. As a result, existing maintenance and reconstruction standards are being compromised and trade-offs are being made among important yet competing work priorities.

Although annual appropriations for managing natural resources have increased in recent years, these increases have not been large enough to make a dent in the needs for the infrastructure and staffing. Moreover, in fiscal year 1993, appropriations for managing natural resources dropped by 1.3 percent from the previous fiscal year, and the Budget Enforcement Act of 1990 will require substantial cuts to discretionary spending in fiscal years 1994 and 1995 with no allowance for new or deferred needs. As a result, the new administration now faces a difficult choice: It must find new sources of funding for the agencies responsible for managing natural resources and/or find ways

for these agencies to operate more efficiently, or it must make further cutbacks in the services they provide and/or their standards for maintaining facilities and lands.

Cumulative Shortfall at the Department of the Interior

In 1988, we reported a $1.9 billion cumulative shortfall in funds for park maintenance. In its fiscal year 1993 budget request, the Department of the Interior reported that the deferred maintenance of parks will now cost over $2.1 billion. In addition, the Department identified a growing backlog in the maintenance and reconstruction of the Bureau of Land Management's (BLM) $400 million infrastructure of facilities. Additional funding requirements include

- an unquantified need for improvements to the 337 dams built by the Bureau of Reclamation since 1902;
- an estimated $27 billion shortfall between (1) the estimated costs to reclaim lands around surface coal mines abandoned before 1977 and (2) the fees collected for this

purpose when the authority to collect such fees expires in 2004; and

- an estimated $283 million to reclaim about 280,000 acres of abandoned, suspended, or unauthorized hardrock mining operations on federal lands.

Forest Service's Assets Continue to Deteriorate

As we reported from September 1989 through January 1991, the Forest Service will require

- at least $644 million to eliminate the backlog of maintenance and reconstruction of trails and developed recreation sites and
- millions of dollars more to develop and maintain special recreation and wilderness areas in accordance with current standards.

Corps' Water Resources Projects Are a Vital, but Aging, National Resource

By the turn of the century, many of the structures in the Corps of Engineers' vital, but aging, $125 billion inventory of water resources projects will have reached their design life, according to the Corps. The major structures have an average age of 33 years, and 12 percent of the projects are over 50 years old. As a result, major rehabilitation projects will become increasingly important and costly in the near future.

Significant Staffing and Funding Shortfalls Have Been Reported

We, as well as others, have identified significant shortfalls in the staffing and funding for natural resources management, including the following:

- In 1987, 267 National Park Service unit managers reported needing a 35-percent increase in maintenance staff to eliminate the growing backlog of deferred maintenance.

- In 1990, BLM reported needing a 50-percent increase in its range management budget to restore riparian areas damaged by overgrazing, detect and deter unauthorized grazing, and collect and analyze data to determine appropriate grazing levels. BLM also has reported needing additional staff and/or resources to (1) verify oil and gas production, (2) complete and implement legislatively mandated land-use plans and related environmental impact statements used to guide the management of the public lands, and (3) implement the objectives envisioned for wildlife in the land-use plans that have been completed.

- In recent years, the Fish and Wildlife Service (FWS) has pointed to insufficient staffing or resource constraints as a primary reason for its inability to (1) list, in a timely manner,

about 600 domestic species for which it has adequate information to support their protection under the Endangered Species Act and (2) even minimally deter crimes against wildlife. Moreover, many of FWS' special agents are deskbound for months at a time because of insufficient operating funds.

- In 1991, we reported that despite recent increases in the Forest Service's appropriations, funding and/or staffing levels were not sufficient to (1) bring recreational sites up to the condition called for by the Service's development plans and maintenance standards, (2) conduct the monitoring necessary to identify improper grazing and devise remedies, or (3) implement wildlife-beneficial actions included in approved land-use plans.

- Funding and staffing shortfalls have adversely affected the federal government's efforts to control the use of wetlands. The shortfalls have inhibited enforcement activities, impeded the Corps' ability to establish wetlands' boundaries, and often precluded the Corps from meeting established goals for timely processing permits for projects that may alter wetlands. Budgetary constraints have also hampered

the ability of the Environmental Protection Agency, FWS, and the Department of Commerce's National Marine Fisheries Service to visit proposed project sites, comment on permit applications, and follow up on the Corps' decisions about permits to see if their recommendations were adopted.

Ensuring a Better Return for Natural Resources

For the agencies managing natural resources, one alternative for addressing the declining condition of the nation's natural resources and related infrastructure is to obtain new sources of funding. It seems reasonable to expect that in these times of budgetary constraints, the federal government should (1) seek a better return for the sale or use of the mineral, renewable, and other natural resources on its lands; (2) cover programs' costs to the extent reasonable and make some programs revenue producers rather than contributors to the national debt, as they are now; and (3) provide a revenue base that can be used to better manage and improve federal lands so that they will remain a viable public resource in the future.

According to estimates prepared by the Congressional Budget Office (CBO), legislation to ensure a better return for the sale or use of natural resources on federal lands could generate an additional $4.5 billion in revenues and savings in fiscal years 1993 to 1997. Legislative precedent exists for returning revenues to the managing agencies or units to supplement, rather than supplant, yearly appropriations. This could help reduce the need for further cutbacks in the services provided and/or the standards to

which the facilities and lands are maintained.

We believe that the Congress and new administration should consider a number of situations in which it appears that the government could receive a better return, including the following:

Hardrock Minerals

- Valuable federal lands continue to pass into private ownership for a fraction of their value. Over the last 120 years, the federal government has sold about 3.2 million acres of public lands, or an area about the size of Connecticut, under the patent provision of the Mining Law of 1872. This provision allows holders of economically minable claims to obtain all rights and interests to both the land and the minerals by patenting them for $2.50 or $5.00 an acre—an amount that approximated the fair market value for western grazing land and farmland in 1872. As a result, some patent holders have reaped huge profits at the government's expense. For example, between 1970 and 1983 the government received less than $4,500 for 20 patents that in 1988 were estimated to be worth between $13.8 million and $47.9 million.

- The government receives no financial compensation for hardrock minerals extracted from federal lands. In 1990, hardrock minerals worth at least $1.2 billion were extracted from federal lands, while the known, economically recoverable reserves of hardrock minerals that remained on federal lands were valued at $64.9 billion.

Federal Water

- Some farmers have taken advantage of a loophole in the Reclamation Reform Act of 1982, as amended, by reorganizing their large farming operations into multiple, smaller landholdings to be eligible to receive additional federally subsidized irrigation water. The act limits to 960 the maximum number of owned or leased acres that individuals or legal entities, such as partnerships or corporations, can irrigate with federal water at rates that exclude any interest on the government's investment in the irrigation component of its water resources projects. The act has not, however, stopped the flow of federally subsidized water to land above the 960-acre limit that is being operated as one large farming operation. Consequently, the federal government is not collecting the revenues to which it would be entitled if the multiple landholdings were considered collectively as

large farms subject to the act's 960-acre limit. The foregone revenues from one large farming operation alone are about $2 million a year. Such revenues are likely to remain uncollected unless the act is amended.

- By the end of fiscal year 1990, after receiving water from the Central Valley Project (CVP) in California's Central Valley Basin for over 40 years, irrigators had repaid only $10 million, or 1 percent, of the over $1 billion in construction costs that they owe the federal government. Amendments to the CVP's purposes in 1986 require irrigators and other users to pay their share of the federal investment in the CVP by 2030. Under the terms of the long-term water contracts currently being renewed by the Secretary of the Interior, the Bureau of Reclamation can adjust each water district's rates annually to meet the deadline. While the Bureau may ultimately recover its construction costs by 2030, the dollars that eventually flow to the U.S. Treasury could be worth much less than if they had been repaid sooner—as inflation decreases the money's value and as opportunities to use the money for other, productive purposes, such as reducing the federal debt, are lost.

- Estimates of the current cost of federal water subsidies are substantial. For example, the Department of the Interior reported that irrigation subsidies throughout the 17 western states totaled $534 million in 1986, while the Bureau of Reclamation placed the cost at $2.2 billion. (Estimates differ because of different definitions of an irrigation subsidy, different interest rates used to calculate the subsidies, and different methods for compounding unpaid interest.) Much has changed in the West since the subsidies were established in 1902, and it is not known whether the subsidies are still warranted or whether irrigators could pay more of the cost of the water delivered.

- The use of federally subsidized water to produce federally subsidized crops results in the federal government's paying double subsidies. According to the Department of the Interior, between 1976 and 1985, an average of 38 percent of the acreage served by the Bureau of Reclamation nationwide was used to produce crops that are also eligible for subsidies through the Department of Agriculture's commodity programs. The Department of the Interior estimated that irrigation subsidies used to produce subsidized crops throughout the 17 western states totaled $203 million in 1986.

Other estimates are higher. For example, the Bureau of Reclamation placed the figure at $830 million.

Recreation Lands

- In 1989, according to available financial information (which was complete for about 60 percent of the 9,000 concession agreements identified by six federal agencies), the federal government received about $35 million in concession fees from gross concession revenues of about $1.4 billion. This amount represents an average return to the government of about 2 percent.

- Under land-use agreements with nonfederal public entities, the Bureau of Reclamation has agreed to the long-term use of some of its lands with no compensation to the federal government. The nonfederal public entities, in turn, develop and lease the lands to private commercial operators in exchange for a percentage of their gross revenues. For example, the Bureau agreed that the city of Scottsdale, Arizona, could use about 760 acres of its land for 75 years for recreation development. The city developed two major recreation facilities on the land and subsequently leased them to private commercial operators. The operators of

these facilities generated about $24 million in gross revenues from 1988 through 1990, and the city was entitled to receive about $1.5 million in compensation. Although Bureau headquarters officials were unable to tell us the extent to which the agency has used these agreements, we identified three other similar agreements in Arizona that the Bureau had approved.

- Improved pricing of user fees at recreational sites could help defray direct costs to the government, shift the cost burden from the taxpayers in general to the beneficiaries of the services, and alleviate overcrowding at many sites. Entrance and user fees are charged at some sites, but the fees generally cover only a small portion of the costs for the services provided to visitors. For example, in 1992, the National Park Service spent an estimated $220 million on services for visitors but recovered only an estimated $60 million in fees. According to CBO, requiring federal land managing agencies to charge fees to cover the costs for services would generate $170 million in fiscal year 1993 and $950 million over 5 years.

Public Rangelands

- The fees charged ranchers to graze livestock on public lands do not cover either the

government's cost to manage the grazing program or the cost to better manage and improve the lands so that they will remain a productive public resource in the future. Thus, the fees may represent a subsidy for many of the ranchers who graze livestock on about 268 million acres of public lands. CBO estimates that an annual increase in grazing fees not to exceed 33.3 percent a year, with the fees reaching fair market value in 4 years, would increase federal receipts by approximately $120 million over fiscal years 1993 to 1997.

Timber

- The government does not always recover its expenses for preparing and administering sales of timber, resulting in below-cost sales. For example, in fiscal year 1990, under our most conservative definition of costs, $35.6 million in such expenses went unrecovered. These expenses range as high as $112.2 million when all costs are considered. While the Forest Service has acted to reduce losses from below-cost timber sales, many such sales are still not subject to review. CBO estimates that the net savings in federal budget outlays over fiscal years 1993 to 1997 would be about $230 million if all future timber sales were eliminated in three of the Forest Service's

nine regions where, on average over the last decade, cash expenditures have exceeded cash receipts by a 3:1 ratio.

Inland Waterways

- The government does not impose user fees that are high enough to recover the cost of operating and maintaining the nation's system of inland waterways. CBO estimates that taxpayers, not users, paid $700 million of the about $800 million that the Corps of Engineers spent to construct, operate, and maintain the nation's system of inland waterways in fiscal year 1991. According to CBO, imposing user fees high enough to recover the cost of operating and maintaining the system would reduce the federal deficit by $350 million in fiscal year 1993 and by $1.9 billion through fiscal year 1997. CBO also notes that higher fees would increase efficiency. Reducing subsidies to water transportation should (1) improve the allocation of resources by leading shippers to choose the most efficient transportation route rather than the most heavily subsidized one and (2) encourage more efficient use of existing waterways, reducing the need for new construction to alleviate congestion.

Sharing Revenues With States and Counties

- Federal land-managing agencies typically do not deduct the full costs of their programs from the gross receipts that the programs generate before the agencies share the receipts with states and counties. Sharing federal receipts on a gross, rather than a net, basis sometimes causes the costs of the programs to exceed the federal government's share of the revenues. According to CBO, changing revenue-sharing from a gross-receipt basis to a net-receipt basis would reduce net federal outlays by $1.05 billion over fiscal years 1993 to 1997.

Balancing the Conservation and Use of Natural Resources

The most difficult challenge concerning natural resources that faces this or any other Congress and administration is fulfilling the federal government's responsibilities as a steward of the nation's natural resources by providing the proper balance between their use and conservation for future generations. Achieving this balance has been likened to steadying a pendulum that could swing between two extremes—irresponsible consumptive use and preservation to the exclusion of all other uses.

Where this pendulum rests at any given time depends, to a large degree, on policy decisions. The 102nd Congress has left some thorny legislative issues for the next Congress, among them the Endangered Species Act, the Clean Water Act, and various proposals to designate additional areas as wilderness. Resolving these issues will go a long way in establishing national policies for natural resources in the 1990s.

The Endangered Species Act

Since 1966, when the first act was passed to protect species threatened with extinction, the pendulum has periodically swung between increased protection and the need to soften the law's economic impact. Under the Endangered Species Act of 1973,

economic factors may not be considered in listing a species as endangered or threatened or in consultations with federal agencies proposing activities that may affect listed species; these actions must be based solely on biological data. Economic and other nonbiological factors, however, may be considered when making other decisions, including designating habitat critical to the species' protection and granting exemptions from the act's protective provisions.

The June 1990 listing of the Northern spotted owl and the listing's current and potential impact on commercial logging in the old-growth forests of the Pacific Northwest and the listing of three species of Columbia River Basin salmon in fiscal year 1992 and the potential economic costs associated with their protection have again riveted national attention on the act's reauthorization. Spending authorization for the Endangered Species Act expired at the end of fiscal year 1992. Rather than reauthorize the act for 5 years, as it has often done in the past, the Congress authorized spending for 1 more year under the Department of the Interior's fiscal year 1993 appropriations bill and appropriated money for the National Academy of Sciences to study the act. Ultimately, the new Congress will have to

decide the extent to which economic and other nonbiological factors, including the need to compensate owners whose property loses value because of the act, should be considered in making decisions about endangered and threatened species.

The Clean Water Act

Controversy over proposals to amend section 404 of the Clean Water Act of 1977—to better balance the need to protect wetlands with the rights of private property owners—delayed the reauthorization of the act. Although section 404 is just 1 of at least 25 federal laws that affect wetlands, it provides the primary legislative authority behind federal efforts to control their use and has become a major regulatory and environmental issue in recent years.

Wetlands provide vital habitat for fish and wildlife and offer numerous other benefits. However, according to the Fish and Wildlife Service (FWS), the contiguous 48 states lost an estimated 53 percent of their original 221 million acres of wetlands over the 200 years from the 1780s to the 1980s. FWS' most recent estimates suggest that these states continue to lose about 290,000 acres of wetlands each year.

The section 404 program requires landowners and developers to obtain permits issued by the Corps of Engineers to dredge or fill navigable waters, including wetlands. The program has become the target of farmers, developers, oil companies, and other private landowners who believe that the program has intruded too far into their decisions about how to use their land and that the process for obtaining permits is time-consuming, costly, and inconsistently administered by the Corps. Environmentalists and some state officials, on the other hand, are concerned that current proposals for defining wetlands would result in the loss of millions of acres previously regulated as wetlands.

During the 102nd Congress, major revisions to section 404 were proposed that seek to stem the loss of remaining wetlands without creating severe economic hardship for private developers and property owners. In the appropriations bills for both fiscal year 1992 and fiscal year 1993, the Congress banned the Corps from using its more expansive 1989 definition of wetlands in favor of a more narrow 1987 one, and the latter bill appropriated funds for the National Academy of Sciences to study how to define wetlands and how to categorize them

according to their function and value. As with the Endangered Species Act, the 103rd Congress will ultimately have to decide how best to balance the protection, restoration, and creation of wetlands with the need for sustained economic growth and development.

Wildernesses

Economics will also play a key role in congressional deliberations on designating additional areas as wilderness. Because the Wilderness Act of 1964 generally prohibits such things as motorized equipment, buildings, roads, commercial enterprises, and aircraft landings in wilderness, some believe that designating areas as wilderness is detrimental to the economy. Others believe that doing so is a necessary step for preserving federal lands in an undisturbed condition for present and future generations.

Nowhere has this use-versus-conservation debate been more visible than in the conflicting efforts to open the Arctic National Wildlife Refuge's 1.5-million-acre "coastal plain" to exploration for oil or to designate it as wilderness. After 2 years of work, the 102nd Congress sent to the President, and he signed, major energy legislation that did not include the opening

of the refuge to development, despite arguments that (1) drilling there could create 200,000 jobs and provide $125 billion in revenues for the federal government and the state of Alaska and (2) the 800-mile-long Trans-Alaska Pipeline System that is the primary means for delivering nearly 25 percent of the nation's domestically produced oil could shut down within the next 10 to 30 years unless a new oil field is developed in the refuge. Meanwhile, efforts to have the refuge's coastal plain designated as wilderness were also unsuccessful.

Bills that would have designated the Arctic National Wildlife Refuge's coastal plain as wilderness were not the only such bills not to make it through the 102nd Congress. Left unfinished was work on at least five additional bills to designate wilderness areas in Montana, Colorado, Utah, and the California Desert, as well as additional areas in Alaska. Also unresolved was the accompanying issue of state water rights in wilderness areas. Our review of studies on the effects of designating additional areas in Utah as wilderness led us to conclude that the likely effect on Utah's economy has not been adequately quantified. As a result, policy decisions on this issue in Utah, and possibly in other states, will have to be

based primarily on subjective judgment rather than on objective economic data.

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A MAJORITY STAFF REPORT

TO THE

COMMITTEE ON GOVERNMENT OPERATIONS

DECEMBER 1992

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